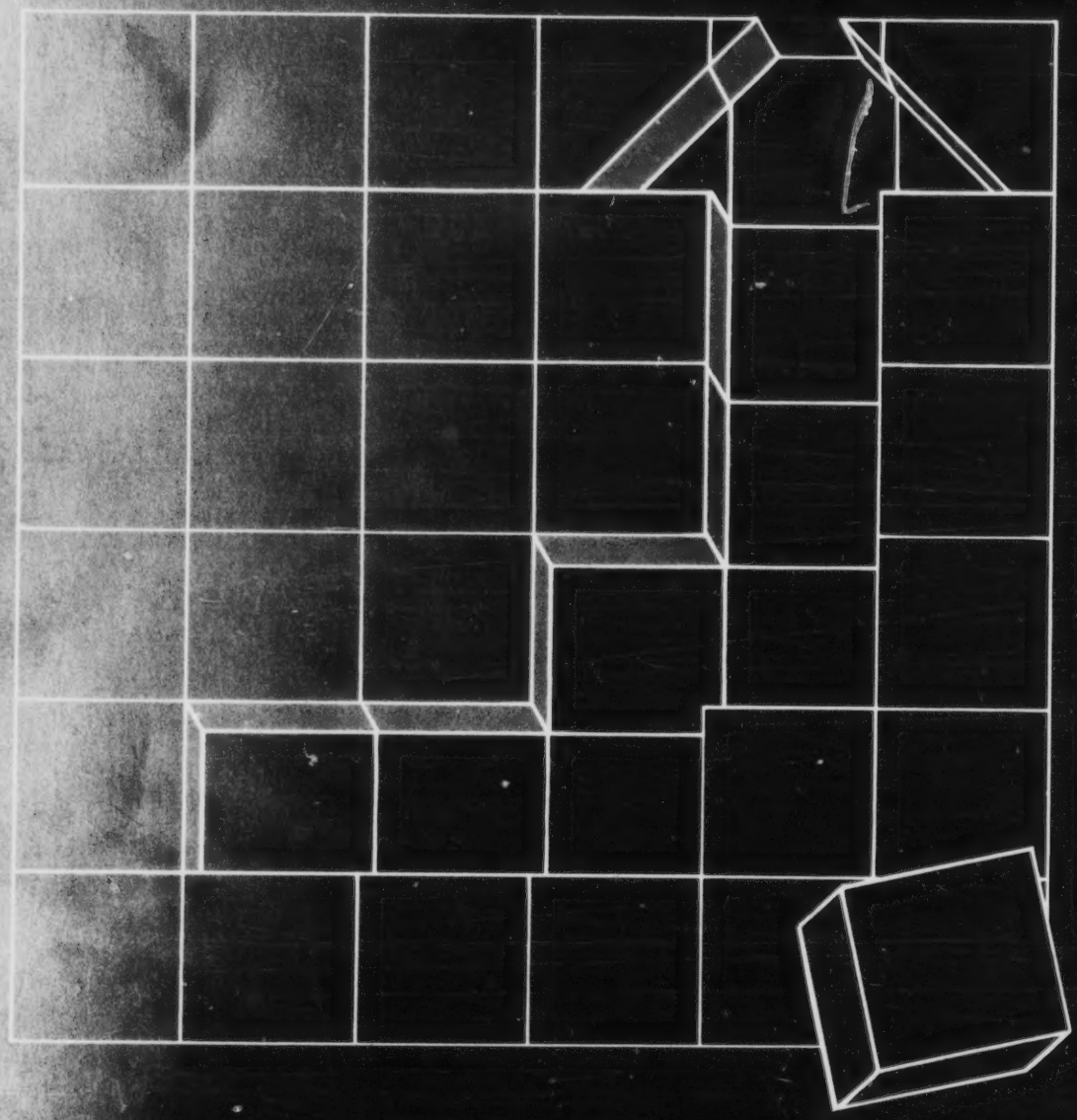
THE BIO-FOOD INDUSTRY IN 1987:

ECONOMIC PERFORMANCE AND OUTLOOK FOR 1988



Québec

The Bio-Food Industry in 1987:
Performances and Outlook
for 1988

Ministère de l'Agriculture, des Pêcheries
et de l'Alimentation du Québec

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PREFACE

In our respective capacities as Minister of Agriculture, Fisheries and Food and Associate Minister for Fisheries/ Minister of Recreation, Fish and Game, we are pleased to present a review of the economic situation of the agriculture, fisheries and food sector in Québec for 1987.

Internationally, the agricultural sector experienced continued trade wars between the principal exporting countries in 1987. This trade war took the shape of a sharp rise in the level of subsidies to recover export markets by the adoption of protectionist measures and by maintaining low farm products prices.

Paralleling these developments, however, were free trade talks on the North American and international levels. Moreover, the political leaders of the various nations became aware of the need for better rationalizing government intervention in economic assistance for the agricultural sector.

Québec has been experiencing a significant turn of events for the past few years. Our intervention was based on ground rules highlighting the vitality of Québec's industries in the bio-food sector.

In addition to maintaining and improving existing programs, we streamlined them in order to focus our efforts on those projects which have a major impact in terms of employment and earnings.

On the whole, we feel that our efforts have borne fruit since 1987 proved a good year for the Québec bio-food sector.

Despite the current international agricultural crisis, the Québec farm sector saw its total revenues increase by 10.2% in 1987. This rise can be attributed to increased sales, increased government assistance and reduced farm operating expenses.

In 1987, agricultural concerns operating in the food and beverages industry saw their financial position bolstered considerably. This industry's shipments was up 6.0%, at $11.66 billion. Furthermore, preliminary data for 1987 reflect a record high in investment by the Québec food and beverages sector.

For the first time, the value of landed catches in Québec's fishery sector exceeded the $100 million mark. The value of catches rose from $56.5 million in 1984 to $122.2 million in 1987. Shipments by marine products processing plants may be up 19.3% over 1986, to total $210.0. million.

In 1988, Québec's bio-food sector will once again be sensitive to major trends in North American and international economies.

Québec's agricultural sector's earnings will feel the effects of the price drop for pork on world markets. Moreover, the financial position of fisheries may be affected by a possible decline in the price of marine products.

We will therefore pursue our goal of ensuring the consolidation of our gains, while seeking equity for our farming operations and fisheries from the federal government.

In the case of the farm sector, we will insist on our share of federal agricultural spending and will defend the legitimate rights of our farmers to participate in tripartite

stabilization programs alongside their own complementary insurance plans.

In the fisheries sector, we will claim our share of Canadian maritime resources and Québec's right to have access to new supply sources.

MICHEL PAGÉ
Minister of Agriculture,
Fisheries and Food

YVON PICOTTE
Minister of Recreation,
Fish and Game
Associate Minister for
Fisheries

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INTRODUCTION

This document has been divided into six chapters to provide a more detailed examination of economic conditions in Québec's food sector. The first chapter compares the performance of the agro-food sector with that of Québec's economy as a whole, and discusses the major elements of farm revenues.

The second chapter deals with farm production. It analyzes the international influences on the performance of the major agricultural sectors in Québec in 1987.

The next chapter outlines the various food product processing and distribution sectors. Chapter Four specifically examines the fisheries sector and analyzes the economic situation of production and processing of fisheries products.

Chapter Five discusses the outlook for 1988 in the agro-food and fisheries sectors.

The sixth and final chapter focuses on government policies and programs summarizing the principal areas in which the Department and its agencies were active, over the past year.

CHAPTER 1

THE ECONOMIC PERFORMANCE OF THE FOOD SECTOR

This chapter discusses changes in the major economic indicators in the food sector compared to the rest of the economy in 1987. In particular, consumer prices, retail sales, exports, employment, investment and the gross domestic product will be examined.

For the fifth consecutive year, the Québec economy grew at a slightly in real terms. Its gross domestic product, in constant dollars, was up almost 5.1%, the second highest rate since economic recovery began in 1983. A growth rate of 11.6% in personal disposable income as well as increased use of credit allowed household demand for goods and services to be particularly strong. Furthermore, significant growth in residential housing start-ups had a positive effect on the overall level of economic activity and on employment.

1.1 Consumer prices

Food prices rose by 5.2% in 1987; in 1986, they had increased 6.8%. In 1985 food prices had posted their smallest rise since 1975, with an increase of only 3.6%.

TABLE 1.1
MAJOR DEMAND INDICATORS
IN THE FOOD SECTOR
IN QUEBEC FROM 1984 TO 1987

Breakdown	1984	1985	1986(1)	1987(2)	Change 1986/1985	Change 1987/1986
	- '000 000$ - (3)				- % -	
Retail sales						
Food products	8 354,4	8 771,3	9 506,8	10 476,5	8,4	10,2
All items	29 005,9	31 782,3	34 593,2	38 882,8	8,8	12,4
Exports						
Farm, fisheries and food products	1 231,2	1 175,5	1 300,2	1 249,3	10,6	-3,9
All items	17 340,1	18 610,9	21 480,7	22 246,6	15,4	3,6
Receipts						
Restaurants	1 909,4	2 120,3	2 356,7	2 590,1	11,1	9,9
Other establishments(4)	746,3	783,4	763,6	800,6	-2,5	4,8
Total	2 655,7	2 903,7	3 120,3	3 390,7	7,5	8,7
Consumer price index (Montreal)	- 1981 = 100 -					
Food	116,1	120,2	128,4	135,1	6,8	5,2
Restaurant meals	116,2	121,8	129,2	135,9	6,1	5,2
All items	122,7	128,1	134,4	140,4	4,9	4,5

(1) Estimates.
(2) Projections.
(3) Amounts are expressed in current canadian dollars.
(4) Other establishments: caterers, "take-out-food" establishments, dining lounges, etc.

Sources: - Statistics Canada, various catalogues.
- Bureau de la statistique du Québec.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

The all-items price index was up 4.5% in 1987, slightly lower than its rise for 1986 (see Table 1.1).

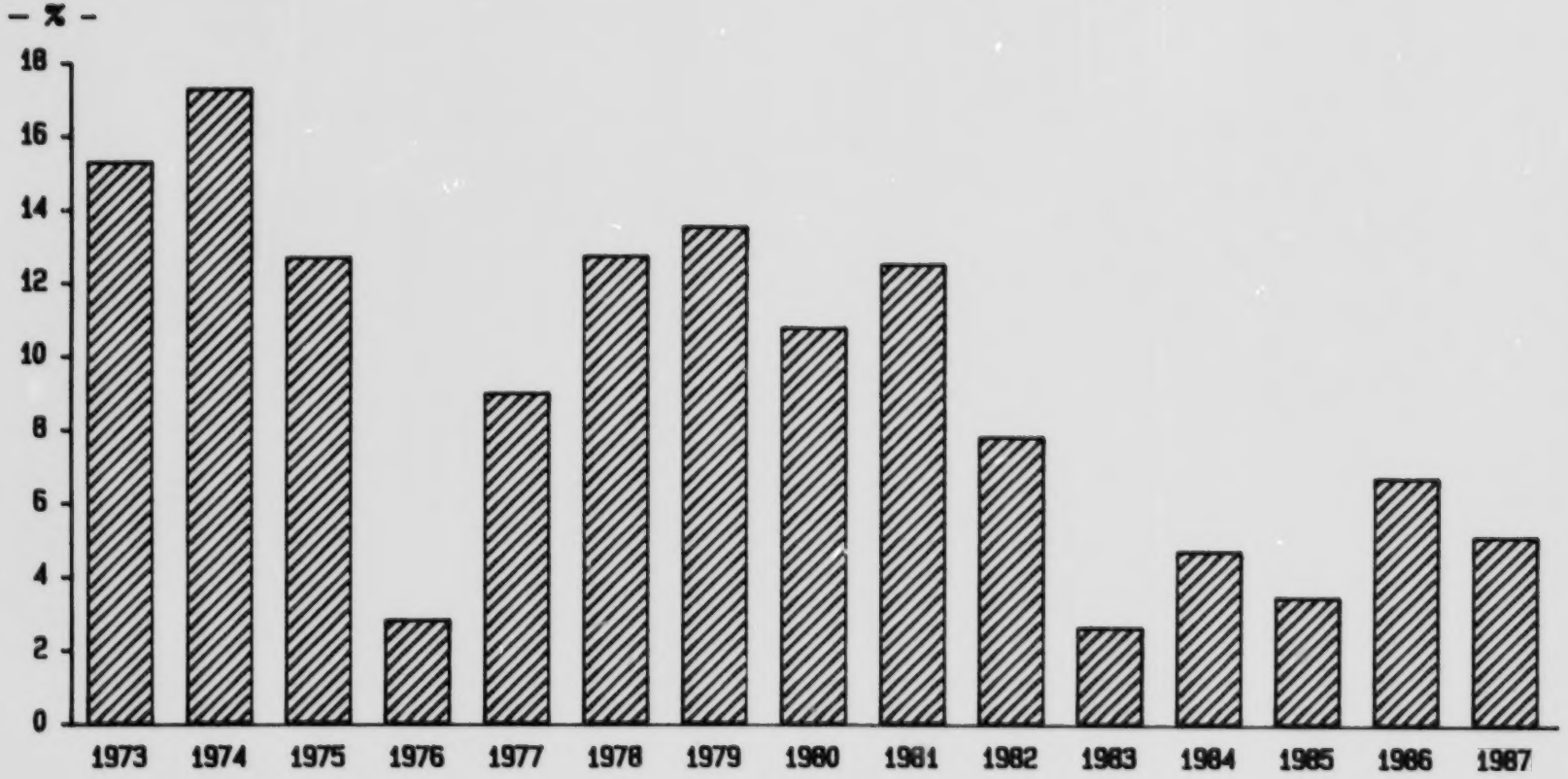
The moderate inflation posted in the food sector is attributable to the downturn in the price of eggs, fruit, fats, coffee and tea. Red meats and vegetables posted above-average price increases.

The 1986 decrease in pork supplies on the North American market continued in 1987, although retail sales were up more than 9%. The drop in beef production in 1987 was reflected in a similar rise in consumer prices. Bakery, dairy and turkey products experienced moderate price increases. However, less plentiful harvests of vegetables for canning and potatoes in 1986 caused significant prices increases in the prices of these products during the first half of 1987.

The levying of the federal sales tax on candy and snack foods in July 1987 was immediately reflected in the wholesale and retail prices of these products -- they rose 6% and 8% respectively.

Moderate increases in food prices and in wages meant a less rapid increase in the price of food consumed outside the home, 5.2%.

CHART 1.1
FOOD PRICES IN MONTREAL
ANNUAL PERCENTAGE CHANGE FROM 1973 TO 1987



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC, DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

For a second consecutive year, the food market in Québec was influenced by special circumstances, since food prices rose 5.2% compared to 4.2% for Canada as a whole. This difference in the rates at which prices rose in Canada and Québec is reflected in most products purchased in food stores and in the price of meals taken outside the home.

1.2 Demand for farm and food products

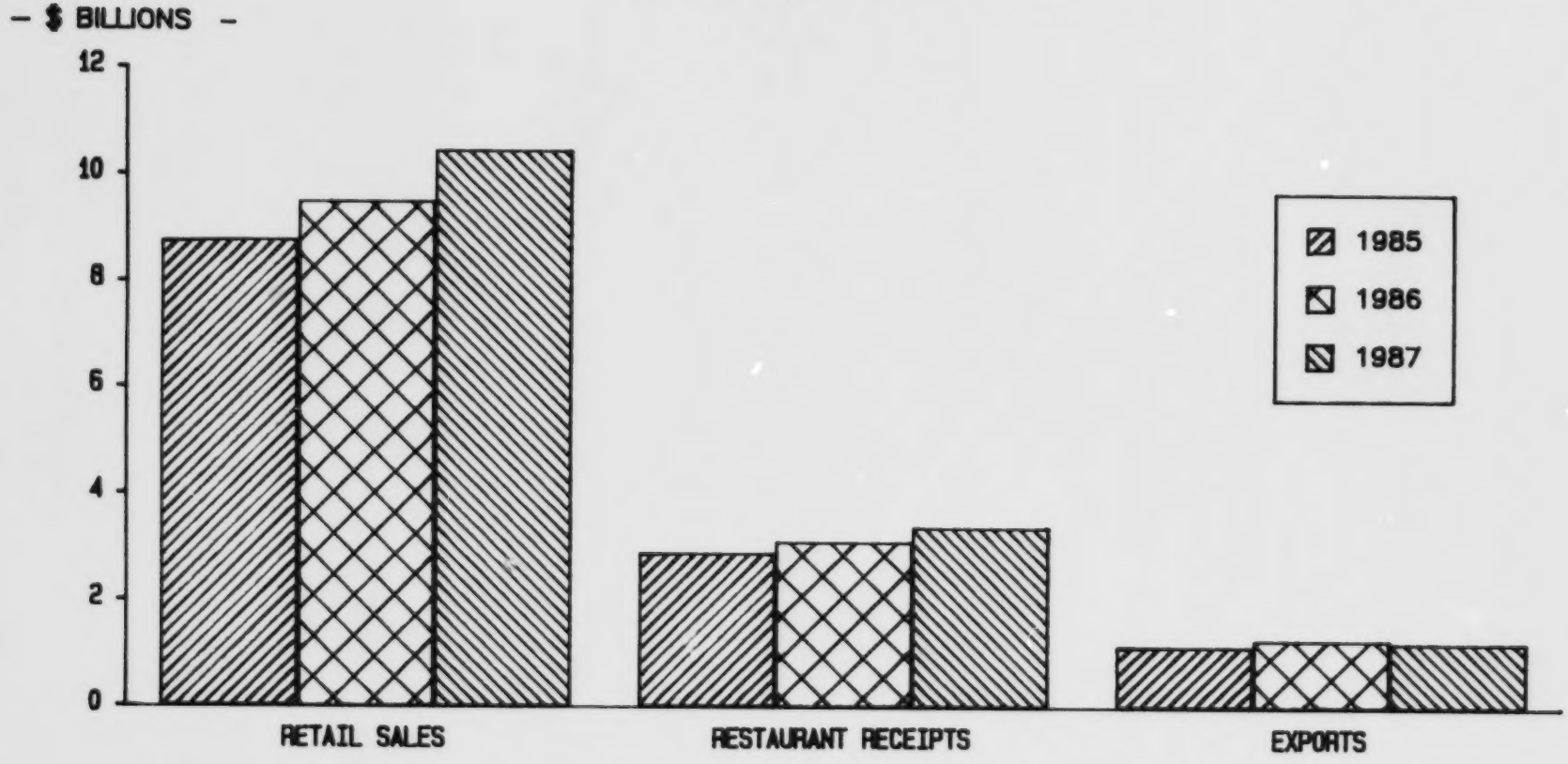
Final demand for farm and food products is an indicator of the food sector's performance. Three major sources contribute to this demand: demand from households on food retailers, consumer spending in restaurant establishments and sales on export markets.

1.2.1 Retail food sales

Purchases made in grocery and combination stores account for almost 75% of food spending by households. As a result, retail sales are a major indicator of household demand for food products.

In 1987, sales by food retailers amounted to $10.5 billion, an increase of 10.2% over 1986.

CHART 1.2
MAJOR DEMAND INDICATORS
IN THE FOOD SECTOR IN
QUEBEC, FROM 1985 TO 1987



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC,
DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

Total retail sales in Québec for all consumer products rose by 12.4% and reached almost $38.9 billion in 1987. Continued growth in disposable income, reduced savings rates and relatively stable interest rates permitted Québec consumers to increase spending on durable and semi-durable goods.

When the effect of higher prices is removed, the increase in retail sales of food products amounts to 4.8% for 1987, compared to 1.4% for 1985 and 1.5% for 1986. Since the population grew at a slower rate, the increased sales may be the result of a trend among consumers towards more costly food products, with a higher value-added.

1.2.2 The restaurant industry

The restaurant sector accounted for receipts of almost $3.4 billion in 1987, up by 8.7% over the previous year. The greatest increase was posted by licensed and non-licensed restaurants, whereas receipts were down somewhat, 4.8%, for other establishments (caterers, food "take-out" establishments, etc.).

TABLE 1.2
MAJOR INDICATORS OF ECONOMIC ACTIVITY
IN THE FOOD SECTOR IN
QUEBEC FROM 1984 TO 1987

Breakdown	1984	1985	1986(1)	1987(1)	Change 1986/1985	Change 1987/1986
		- '000 000$ - (3)			- % -	
Capital expenditures						
Agriculture and fisheries	669,1	525,5	478,9	449,4	-8,9	-6,2
Food and beverages	229,4	231,2	231,9	277,0	0,3	19,4
Tobacco	32,0	44,7	42,5	37,5	-4,9	-11,8
Food stores	25,9	28,6	13,3	11,6	-53,5	-12,8
Lodging and restaurants	51,2	103,5	84,0	92,8	-18,8	10,5
Manufacturing	2 751,0	3 394,5	3 635,8	4 158,4	7,1	14,4
Private capital expenditures	10 543,7	13 837,3	15 893,1	17 805,4	14,9	12,0
Total capital expenditures	15 747,8	19 240,0	20 862,2	23 400,2	8,4	12,2
Gross domestic product						
Fisheries	59,0	60,0	66,0	70,0	10,0	6,1
Agriculture	1 729,0	1 789,0	1 975,0	2 075,7	10,4	5,1
Food and beverages	3 142,1	3 302,3	*	*	**	**
Manufacturing	18 674,0	19 809,0	20 679,0	*	4,4	**
Total economy	89 593,0	96 437,0	102 134,0	112 552,0	5,9	10,2
Employment		- '000 jobs -			- number -	
Agriculture	76,9	85,1	82,2	76,3	-2 900	-5 900
Food and beverages	55,3	56,0	54,3	55,0	-1 700	700
Tobacco	4,1	4,0	3,7	3,6	-300	-100
Total	136,3	145,1	140,2	134,9	-4 900	-5 300
Primary sector	127,7	130,1	127,2	118,2	-2 900	-9 000
Manufacturing	559,6	548,1	564,6	572,8	16 500	8 200
Total economy	2 722,3	2 804,5	2 865,4	2 965,5	60 900	100 100

(1) Estimates.
(2) Projections.
(3) Amounts are expressed in current canadian dollars.

Sources: - Statistics Canada, various catalogues.
- Fédération des caisses populaires et d'économie Desjardins.
- Bureau de la statistique du Québec.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

1.2.3 Exports

Based on the first nine months of the year, the value of all Canadian exports loaded in Québec could reach $22.2 billion in 1987, for a gain of 3.6% over the same period in 1986. Exports in the agricultural, fisheries, and food sector over the first three quarters of 1987 dropped by 3.9% from 1986, and could total $1.25 billion for 1987.

The greatest decrease was recorded by exports of processed farm products, which slumped 4.3%, whereas sales of unprocessed farm products rose by 5.0%. In particular, exports of live animals posted an impressive 39.7% increase.

Exports in the slaughtering and meat processing industry were down 5.3%, in response to decreased exports of beef-based products. Similarly, exports of processed seafood products crept up 1.8%. The value of Québec's dairy product shipments fell from $147.9 million over the first nine months of 1986 to $100.7 million for the same period of 1987.

1.3 Investment

Capital expenditures are an indication of total investment spending. They include purchases of new machinery

and equipment, the construction of buildings and engineering works.

In 1987, capital spending in the agricultural sector was restricted to $440.2 million, down 6.5%. The poor agricultural outlook in North America caused many Québec farming operations to rationalize their activities, leading to a drop in investment. Since the outlook in the fisheries sector were more encouraging, capital spending rose from $8.0 million in 1986 to $9.2 million in 1987.

The food and beverage processing sector recorded capital spending of $277.0 million in 1987, ahead 19.4% over the previous year. Significant gains were also posted in the dairy and bakery and biscuit sectors. In sharp contrast, capital spending in the fish processing industry was off by 62.3% as a result of the expiry of the rationalization program in the fisheries products processing sector.

1.4 Employment and income

Employment grew by 100 000 in 1987 for Québec's economy as a whole. There was little change in the number of people working in the agriculture sector, with employment falling slightly from 82 200 in 1986 to 76 300 in 1987. As in previous years, the number of unpaid family members working on the farm trended down, while the number of farm wage-earners

remained stable. This situation appears to be due to the trend of farm workers leaving the farm sector during periods of economic recovery to occupy paid jobs in other sectors.

Farm wages rose by close to 4.0% in 1987. Over the first six months of 1987, weekly income in the food processing industry rose by 4.3% in Canada, compared to 3.9% last year. Wage agreements in the wholesale and retail sales sectors were restricted to increases of 1.7% and 2.9% respectively. A Government Order-in-Council increased the minimum wage from $4.35/hour to $4.55/hour in October 1, 1987.

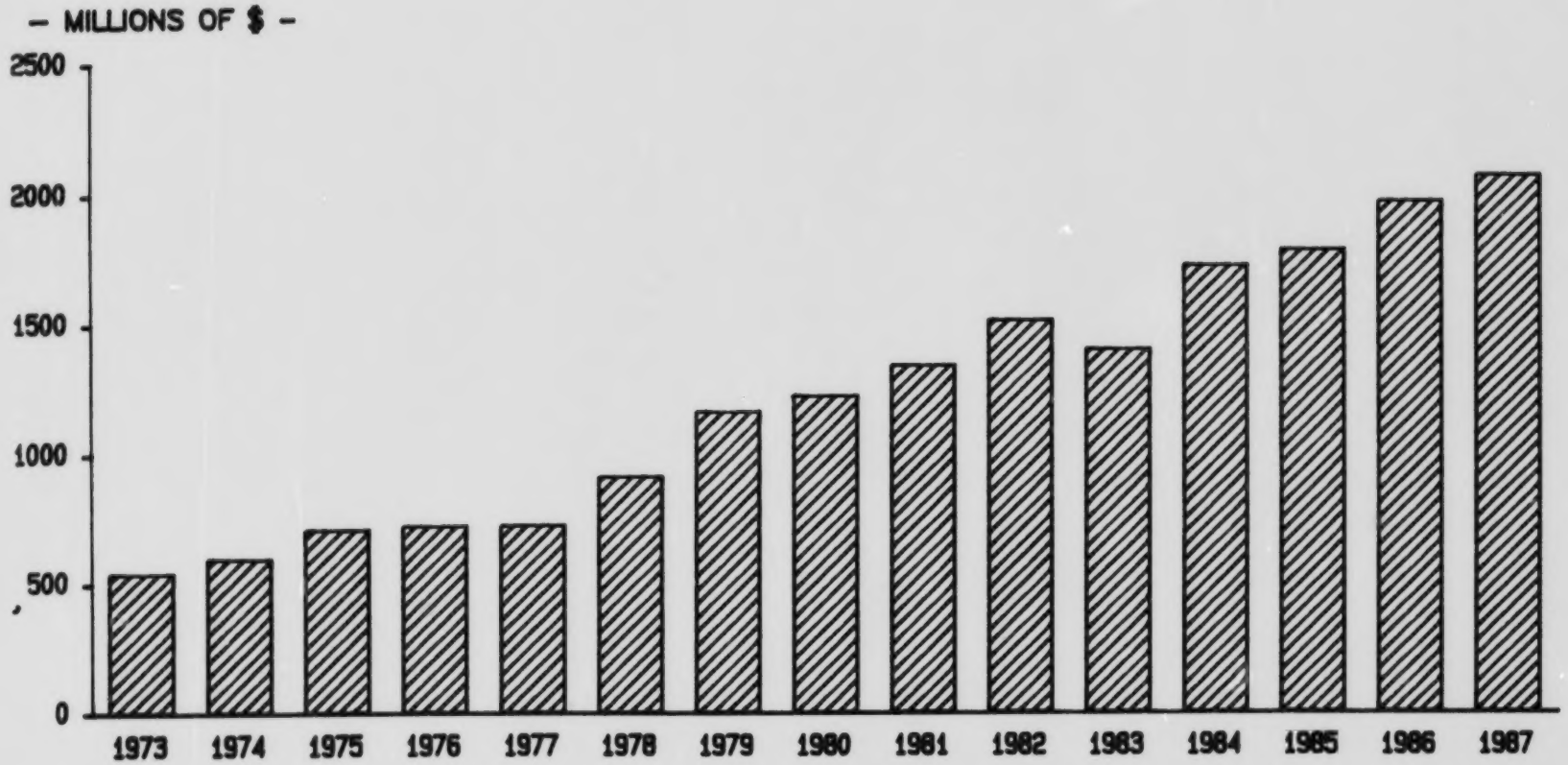
1.5 Gross domestic product

The gross domestic product (GDP) is the measure of the market value of all goods and services produced within the territorial limits of an economy during a year. It also represents the remuneration to all factors of production: labour, capital and entrepreneurship. The concept of gross domestic product is widely used to estimate economic growth and measure each productive sector's contribution to that growth.

In 1987, the gross domestic product of Québec's economy as a whole was up 10.2% compared to 5.9% in 1986. Residential construction investment remained high, while domestic demand

for consumer goods held steady. Expressed in constant dollars, Québec's gross domestic product grew by 5.1% in 1987.

CHART 1.3
GROSS DOMESTIC PRODUCT IN THE AGRICULTURAL SECTOR
IN QUEBEC, FROM 1973 TO 1987



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC, DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

After gaining 10.4% in 1986, the gross domestic product of the agricultural sector rose 5.1% in 1987. This performance is attributable mainly to a jump of 7.4% in net earned income, which accounts for almost half of the agricultural gross domestic product. Wages and depreciation charges were up, while interest, dividends and other investment income declined 4.0%.

1.6 Revenue and expenditure generated by agricultural activity[1]

Cash receipts from the sale of agricultural products in 1987 gained almost 1.2% over the previous year. This growth is mainly due to the overall stability of prices paid to producers, with the volume of production increasing slightly.

1.6.1 Sales volume of agricultural products[2]

Sales volumes for agricultural products rose by 1.3% in 1987 compared to the previous year.

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1 All data on vegetable production in this chapter refer to revenue, expenditure and production marketed during calendar 1986 and 1987. The appendix contains figures for total production for the 1986-1987 and 1987-1988 crop years.

2 The implicit index of the physical volume of marketed production differs from the index calculated using gross earned income in constant dollars in that it does not include crop insurance and stabilization insurance payments, various subsidies and farm consumption of agricultural products.

TABLE 1.3
VOLUME OF FARM PRODUCTION MARKETED
IN QUEBEC FROM 1985 TO 1988

Products	1985	1986	1987(1)	1988(2)	Change 1987/1986	Change 1988/1987
	- quantities -				- % -	
Milk - hl -	28 329 200	28 401 860	28 685 880	29 222 900	1,0	1,9
Pork - tonnes -	376 872	375 126	382 970	401 436	2,1	4,8
Cattle - tonnes -	93 390	102 457	96 495	94 554	-5,8	-2,0
Calves - tonnes -	17 363	18 262	18 608	18 142	1,9	-2,5
Chicken - tonnes -	146 884	151 049	165 161	172 672	9,3	4,5
Eggs for consumption -'000 of dozens -	68 188	68 299	68 135	68 230	-0,2	0,1
Grains - tonnes -	1 423 199	1 387 580	1 315 301	1 411 787	-5,2	7,3
Potatoes - tonnes -	325 732	366 655	312 505	411 712	-14,8	31,7
Vegetables - tonnes -	398 839	352 042	384 631	393 346	9,3	2,3
Apples - tonnes -	91 825	57 248	76 204	90 000	33,1	18,1
Berries - tonnes -	18 603	12 654	21 336	16 400	68,6	-23,1
Honey - tonnes -	4 800	2 800	4 850	4 800	73,2	-1,0
Maple products - kl -	8 877	9 275	8 000	9 000	-13,7	12,5
Production volume index - 1985=100 -	100,0	99,9	101,3	104,3	1,4	3,0

(1) Estimates.
(2) Projections.

Sources:
. For 1985 - Bureau de la statistique du Québec, various publications.
- Statistics Canada, various publications.
- Agriculture Canada, Livestock market review and Poultry market review.
. For 1986, 1987 and 1988 - Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

The increased sales volume of vegetable and livestock products was offset by a decrease in sales of forest and maple products.

In 1986, poor weather conditions had caused a significant reduction in grain and potato production. Part of this production was sold in 1987, reducing sales for this year. Decreased crop production in 1986 caused 5.2% decreases in grain sales in 1987 and was responsible for the 14.8% drop in potato sales.

After experiencing a major downturn in 1986, the fruit harvest leapt up 39.5% in 1987. Whereas blueberry sales had been restricted to 460 tonnes in 1986, sales for 1987 totalled 9 075 tonnes. Similarly, apple production rose from 57 248 in 1986 to 76 204 the following year.

The volume of sales from livestock production was up about 1.6% in 1987.

Decreases in beef and lamb production were more than offset by a 1% increase in milk shipments, and increases in pork (2.1%) and poultry shipments (9.6%).

1.6.2 Agricultural product prices

The year 1987 was characterized by overall stability in agricultural product prices. This all-item stability overshadows significant fluctuation between the various production sectors.

The general price level for vegetable products was up 1.7%. The trade war being waged by the United States to increase its share of the world grain market resulted in a major drop in grain prices for the second consecutive year. Moreover, potato prices were up considerably following a poor crop in 1986.

In terms of livestock products, the fact that beef product supplies were low was reflected in an appreciable price increase whereas the pork sector embarked on its low-price cycle. Milk prices remained stable but poultry products prices dropped due to a considerable increase in production volumes and inventories.

In 1987, a significant upswing in North American honey supplies over 1986 brought about a sharp drop in prices paid to producers.

TABLE 1.4
PRICE INDICES FOR CERTAIN AGRICULTURAL PRODUCTS
IN QUEBEC FROM 1985 TO 1988

Products	1985(1)	1986	1987(2)	1988(3)	Change 1987/1986	Change 1988/1987
	- 1985 = 100 -				- % -	
Milk	100,00	102,47	103,10	104,05	0,6	0,9
Pork	100,00	119,40	115,94	97,71	-2,9	-15,7
Cattle	100,00	101,95	116,84	118,30	14,6	1,2
Calves	100,00	107,08	118,50	119,74	10,7	1,0
Chicken	100,00	104,22	100,00	99,72	-4,0	-0,3
Turkey	100,00	98,82	97,74	94,87	-1,1	-2,9
Eggs	100,00	97,61	96,17	95,82	-1,5	-0,4
Lamb and mutton	100,00	119,56	117,23	105,60	-1,9	-9,9
Grains	100,00	81,35	69,24	68,71	-14,9	-0,8
Potatoes	100,00	100,09	153,62	113,23	53,5	-26,3
Vegetables	100,00	116,60	117,62	120,14	0,9	2,1
Apples	100,00	129,40	113,06	89,70	-12,6	-20,7
Berries	100,00	128,05	121,36	119,48	-5,2	-1,5
Honey	100,00	113,74	68,13	78,51	-40,1	15,2
Maple syrup	100,00	142,03	136,17	141,48	-4,1	3,9
All products	100,00	105,58	106,30	102,71	0,7	-3,4

(1) Original data adjusted to the base 1985=100.
(2) Estimates.
(3) Projections.

Sources:
. For 1985
- Bureau de la statistique du Québec, various publications.
- Statistics Canada, various publications.
- Agriculture Canada, Livestock market review and Poultry market review.

. For 1986, 1987 and 1988
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

1.6.3 Cash receipts from farming operations

Cash receipts represent the income obtained from the sale of agricultural products outside Québec's agricultural sector during a calendar year. They exclude the sale of intermediate goods and products consumed on the farm by the farm sector, and only take into account amounts actually received by producers for their products during the calendar year, including income from government sources.

Cash receipts totalled $3.54 billion in 1987, up by 1.2% over 1986. The rise in receipts from vegetable and livestock production were offset by lower receipts for forest and maple products. In addition, government transfers fell by 6% to $328.3 million in 1987. Payments by the Régie des assurances agricoles accounted for 51.3% of this amount.

A decrease in volumes brought to market combined with a drop in prices brought receipts from grain sales down by 19.1%. Fruit prices were up substantially, enabling the sector to increase its receipts by 32.8%. Receipts from potato production were up 30.8% following marked price increases.

TABLE 1.5
CASH RECEIPTS FROM FARM OPERATIONS
IN QUEBEC FROM 1985 TO 1988

Products	1985	1986	1987(1)	1988(2)	Change 1987/1986	Change 1988/1987
	- '000$ -				- % -	
Dairy products	1 190 720	1 223 285	1 243 112	1 278 071	1,6	2,8
Pork	569 711	677 063	671 211	592 950	-0,9	-11,7
Cattle and calves	274 245	307 288	335 440	332 192	9,2	-1,0
Poultry	252 917	267 512	282 835	291 109	5,7	2,9
Eggs	91 453	90 117	90 369	92 260	0,3	2,1
Lamp and mutton	5 344	7 055	6 689	6 146	-5,2	-8,1
Other livestock	33 607	28 300	28 589	29 808	1,0	4,3
Total - livestock and animal products	2 417 997	2 600 620	2 658 245	2 622 536	2,2	-1,3
Corn	153 391	118 453	95 711	104 311	-19,2	9,0
Wheat	15 914	14 060	10 683	10 034	-24,0	-6,1
Barley	26 815	24 249	21 516	20 337	-11,3	-5,5
Oats	17 309	12 730	8 980	11 290	-29,5	25,7
Potatoes	34 965	39 392	51 531	50 042	30,8	-2,9
Vegetables, greenhouses and champignonnières	99 521	103 827	113 807	119 071	9,6	4,6
Fruits	46 197	38 691	51 392	44 470	32,8	-13,5
Flowers and tree nurseries	51 301	55 898	62 523	68 188	11,9	9,1
Tobacco	25 146	18 833	24 644	24 974	30,9	1,3
Other crops	30 284	31 808	30 483	30 385	-4,2	-0,3
Total - crops	500 843	457 941	471 270	483 102	2,9	2,5
Forest and maple products	64 473	90 795	82 099	90 665	-9,6	10,4
Other cash receipts (3)	324 344	349 202	328 286	335 479	-6,0	2,2
Total - cash receipts	3 307 657	3 498 558	3 539 900	3 531 782	1,2	-0,2

(1) Estimates.
(2) Projections.
(3) Includes amounts paid back by producers to the federal government as advances under the law for net non-grain cash advances, deficiency payments, crop insurance and income stabilization insurance payments and dairy supplementary payments.

Sources: - Statistics Canada, Statistiques économiques agricoles, catalogue number 21-603.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

In the livestock production sector, revenue from the sale of beef jumped 9.2% in response to a significant increase in prices. Moreover, despite increased pork slaughtering, receipts in this sector were down slightly whereas poultry sector revenue rose 10.4% due to a significant increase in production volumes.

Volume and price decreases dragged down receipts from maple production, from $56.3 million in 1986 to over $46.5 million in 1987.

The 114.4% increase in crop insurance payments, which rose from $24.3 million in 1986 to $52.2 million in 1987, are attributable to the poor weather conditions Québec experienced during the summer of 1986. Finally, the increased profitability of certain livestock producers' operations permitted a 40.5% reduction in compensatory payments made under farm income insurance and stabilization programs.

1.6.4 Operating and marketing expenses and depreciation charges

In 1987, operating and marketing expenses and depreciation charges totalled $2.5 billion, showing no appreciable change over the preceding year. Prices and volumes of farm inputs remained relatively stable. The drop in expenditures associated with marketing charges and the decline in operating expenses

TABLE 1.6
OPERATING AND MARKETING EXPENSES AND DEPRECIATION CHARGES
IN THE AGRICULTURAL SECTOR IN QUEBEC FROM 1985 TO 1988

Categories	1985	1986	1987(1)	1988(2)	Change 1987/1986	Change 1988/1987
	- '000$ -				- % -	
Property taxes	21 938	22 859	22 685	25 120	-0,8	10,7
Rent	20 948	20 881	20 111	21 419	-3,7	6,5
Wages	213 211	222 766	233 904	252 850	5,0	8,1
Debt service	246 550	250 873	240 727	234 601	-4,0	-2,5
Machinery maintenance	258 365	255 088	250 061	262 632	-2,0	5,0
Fertilizer and lime	154 668	147 358	147 832	160 148	0,3	8,3
Other expenditures on crops	127 612	138 894	145 462	149 963	4,7	3,1
Livestock feed	612 852	599 164	576 995	604 114	-3,7	4,7
Other livestock expenditures	64 355	68 867	74 157	72 517	7,7	-2,2
Building repairs	50 536	54 628	55 939	58 680	2,4	4,9
Electricity and telephone	66 182	70 637	73 230	76 526	3,7	4,5
Miscellaneous	148 405	140 380	142 187	148 022	1,3	4,1
Total - operating	1 985 622	1 992 395	1 983 290	2 066 592	-0,5	4,2
Total - depreciation	251 916	259 629	266 988	268 499	2,8	0,6
Total - operating and depreciation	2 237 538	2 252 024	2 250 278	2 335 091	-0,1	3,8
Total - insurance and marketing (3)	244 839	262 369	259 454	268 525	-1,1	3,5
Total - operating and marketing expenses and depreciation charges	2 482 377	2 514 393	2 509 732	2 603 616	-0,2	3,7

(1) Estimates.
(2) Projections.
(3) Includes contributions to income stabilization plans as weel as sampling, transportation and promotion costs in the dairy industry.

Sources: - Statistics Canada, Statistiques économiques agricoles, catalogue number 21-603.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

were offset by increased amortization expenses.

The lower operating expenses can be attributed to a reduction of 3.7% in spending on animal feed and a 4.0% decrease in interest charges. In addition, the withdrawal of the federal sales tax on fuel caused a reduction in machinery maintenance and operating costs.

Farm income insurance and stabilization costs totalled $61.5 million, up 4.7% compared to 1986, while spending involved in milk marketing (sampling, transportation, advertising, etc.) reached $198.0 million in 1987.

1.6.5 Agricultural activity in 1987: results

Net earned income can be used to assess agricultural activity in Québec. It includes total cash receipts (receipts from farm operations plus additional special payments) and revenue in kind, from which operating and marketing expenses and depreciation charges are subtracted. This income constitutes profit and is used to pay the operator and his capital costs.

TABLE 1.7
RESULTS OF AGRICULTURAL ACTIVITY
IN QUEBEC FROM 1985 TO 1988

Breakdown	1985	1986	1987(1)	1988(2)	Change 1987/1986	Change 1988/1987
	- ' 000$ - (3)				- % -	
1. Cash receipts	3 307 657	3 498 558	3 539 900	3 531 782	1,2	-0,2
2. Supplementary payments(4)	31 275	50	32 291	36 348	**	12,6
3. Revenue in kind	59 697	63 186	62 961	61 257	-0,4	-2,7
4. Gross earned income (1+2+3)	3 398 629	3 561 794	3 635 152	3 629 387	2,1	-0,2
5. Expenditures	2 482 377	2 514 393	2 509 732	2 603 616	-0,2	3,7
6. Net earned income (4-5)	916 252	1 047 401	1 125 420	1 025 771	7,4	-8,9
7. Change in inventories	-15 227	-38 032	-12 678	*	-66,7	**
8. Total gross income (4+7)	3 383 402	3 523 762	3 622 474	*	2,8	**
9. Total net income (6+7)	901 025	1 009 369	1 112 742	*	10,2	**

(1) Estimates.
(2) Projections.
(3) Expressed in current dollars.
(4) In 1985 and 1986, supplementary payments were made under the special assistance program for fodder losses in Quebec in 1983. In 1987, payments totalling $32,3 million are expected under the canadian special grain program.

Sources: - Statistics Canada, Statistiques économiques agricoles, catalogue number 21-603.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

Net earned income rose 7.4%, climbing from $1.047 billion in 1986 to $1.125 billion in 1987 . This increase is attributable to higher cash receipts (including farm insurance payments and additional payments) at a time when expenditures declined slightly, to reflect the increased cost-effectiveness of certain agricultural sectors, especially those linked to livestock production. In 1987, profits represented 31% of total income, compared to 27% in 1985.

For the third consecutive year, a slight drop in the animal population and grain inventories resulted in lower stocks. When allowance is made for the change in inventories, total net income rose 10.2% in 1987, amounting to $1.113 billion.

1.6.6 Québec agriculture within the Canadian scene[1]

In Canada, net earned income totalled $5.75 billion in 1987, up a substantial 16.2% over the preceding year. This reflects the combined effect of an increase of 2.1% in cash receipts and a drop of 2.3% in expenditures.

Cash receipts from vegetable products were down 6.4% in 1987. The 16% drop in receipts due to grain and oilseed

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1 These comparisons are based on the data published by Statistics Canada and Agriculture Canada for the agricultural outlook conference, held December 14 and 15, 1987.

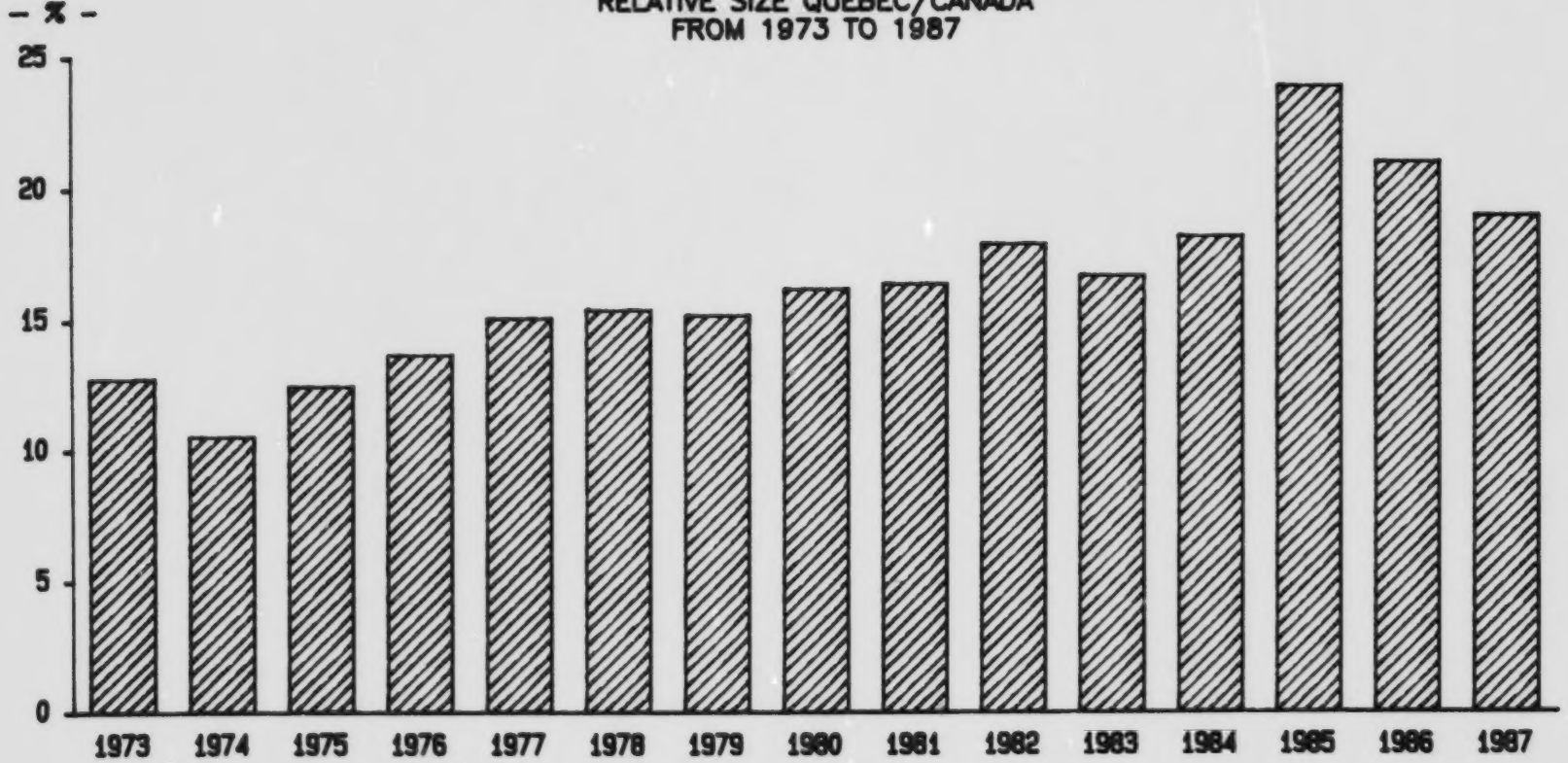
sales could not be offset by substantial increases in receipts from potato, fruit and vegetable sales.

However, the 5.9% increase in revenue from large beef and veal sales was reflected in the 3.9% rise in receipts from livestock products.

Other sources of revenue, mainly direct government assistance to producers, were up 60.9% under the Special Canadian Grain Producers Assistance Program. The sums paid under this program represent approximately 3.0% of québec's net earned income and is responsible for about 17.4% of net earned income for Canada as a whole.

Compared to other provinces, Québec ranked second in regard to net earned income, just behind Ontario, where net earned income came to $1.7 billion in 1987. Saskatchewan stood third in Canada, with a net earned income of $1.06 billion in 1987, followed by Alberta with $873.1 million.

CHART 1.4
NET EARNED INCOME IN THE AGRICULTURAL SECTOR
RELATIVE SIZE QUEBEC/CANADA
FROM 1973 TO 1987



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC, DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

CHAPTER 2

AGRICULTURAL PRODUCTION IN QUÉBEC

2.1 Dairy production

Receipts from dairy production amounted to $1.24 billion in 1987, up 1.6% over the previous year. This change can be attributed to a slight increase in average milk prices, with total milk sales reaching 2 868 588 kiloliters, a 1% upturn.

Use of raw milk for consumption purposes and milk for industrial production increased at the same rate.

Early in 1986, the federal government renewed its policy on manufacturing milk for the coming five years. The extension of this policy, relieved anxiety among producers and lent added stability to the dairy sector.

During the first three months of the 1987-1988 milk year, production was down 2.2% from the same period in 1986. The Canadian Diary Commission strongly encouraged producers to increase their output in winter 1987-1988. This increase was necessary given Canada's commitments to foreign countries and to meeting increased demand on the Canadian market.

2.2 Meat and poultry production

In the United States, supplies of beef, pork, lamb and poultry amounted to 28.5 million tonnes in 1987, a gain of 1.8% compared to the previous year. For the third year in a row, poultry production was especially prominent in this increase, with a rise of 9.7%, while supplies of red meat dropped by almost 1.6%. In this regard, the 1.1% rise in supplies of pork did not entirely offset the drop of 3.6% in beef production. Higher beef production in 1986 is mainly attributable to the rise in the number of dairy cattle slaughtered under the U.S. program to encourage producers to get out of dairy production.

In Canada in 1987, total production of red meat and poultry rose 1% compared to the previous year. The 8% increase in poultry production and the 3% increase in pork production offset the 6% drop in beef production.

In Québec, receipts in the beef, lamb, pork and poultry sectors totalled $1.3 billion in 1987, compared to $1.26 billion a year earlier, for an increase of 3.0%.

Sales of red meat and poultry produced in Québec rose from 684 844 tonnes in 1986 to 703 938 tonnes in 1987. This 2.8% increase is attributable to higher poultry (9.5%) and pork (2.0%) production. Beef sales were down 4.6%.

The shrinking supply of beef throughout North America was reflected in a 14.6% increase in average beef prices. In Québec, although the number of large cattle brought to the slaughterhouse was down 6.5%, higher average weight/head and higher prices caused cash receipts to grow by 7.9%, amounting to $247.1 million. The gradual decrease in the size of the dairy herd in Québec over the past few years generated an equivalent decrease in calf production. However, although the number of head slaughtered in 1987 dropped 6.0%, the average weight of calf carcasses was up 8.4%. This rise is due to increased production of heavy calves in Québec.

A special program promoting production of heavy veal was implemented by producers and the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation in 1987 to bolster the demand for prime milk-fed veal. This publicity campaign led to increased sales in food distribution chains, by introducing a specific product meeting consumer needs.

August 1987 saw the implementation of an electronic auctioneering system in the dairy-cattle-for-slaughter sector. Dairy producers will now be able to sell their reform cattle and calves by electronic auctioneering. A similar system is currently being used in the heavy calves sector and one is planned for the sale of steers.

The Montréal red meat market tended to establish a price differential between grade A1 and grade A2 beef in 1987. The grade A2 price category dropped 2% compared to grade A1 due to increased demand by major food chains for leaner beef. In 1986, close to 73% of Québec-produced steer fell into the grade A1 category; only 12% fell under A2.

The pork production industry was characterized in 1987 by an increase in herd sizes, increased production and lower prices for the second 6 months of the year. Prices had posted a record high in summer 1986 and producers had enjoyed higher profits these past two years given the drop in feed costs. In Canada, Western producers were able to benefit most from this economic situation, increasing their herds by more than 10%; such increases were limited to 3% in Québec. The many forms of assistance available to Western producers under federal and provincial grain programs were part of the reason for this state of affairs. Cash receipts in this sector dropped slightly in Québec in 1987 to $671.2 million since increased production was not sufficient to offset lower prices.

Total poultry production settled at 199 273 tonnes in 1987. The number of chickens and hens brought to slaughter was up 9.1% and the sale of turkey climbed 11.6%. Despite the 7.1% decrease in chicken prices and the 1.1% drop in turkey prices, total receipts for the poultry sector were $282.8 million, up 5.7% from 1986.

2.3 Grain and fodder production

World grain production for animal feed is expected to reach 797.3 million tonnes during the 1987-1988 harvest year. This is 4.5% below last year's harvest and represents the lowest harvest since 1983.

In Québec, the total grain harvest is estimated at almost 2.4 million tonnes for 1987, up 11.3% over 1986. Despite a slight decrease in the acreage for corn, the 1987 harvest was up 24.8% totalling 1.41 million tonnes compared to 1.13 million tons for 1986. The barley harvest was restricted to 475 000, down 11.3% despite a 1.2% increase in acreage for barley crops. Wheat production reached 183 000 tonnes in 1987, posting a 10.2% increase. The Canadian two-price wheat policy was a considerable incentive for certain Québec producers to increase their production of wheat for human consumption.

However, based on the calendar year, the 16.8% decrease in grain production during the 1986-1987 harvest year was reflected in a 5.2 drop in grain sales during 1987. Moreover, the decline in grain prices, due to the continued trade war waged by the U.S., caused a 19.1% down turn in Québec's cash receipts, which settled at $138.7 million in 1987.

Soybean production is estimated at 14 500 tonnes in 1987. Acreage reserved for this crop increased from 4 395 hectares in 1986 to 6 500 hectares in 1987. The upturn in this production activity sparked the establishment of plants for grinding soybeans into animal feed.

Finally, despite a modest increase in acreage for hay, and a decrease in acreage for feed corn, the production of both rose sharply in 1987. Feed corn production totalled 2.0 million tonnes in 1987, up 11.1% over 1986; the hay harvest totalled 6.5 million tonnes, for a 6.6% increase.

2.4 Egg production

The value of egg sales in 1987 remained relatively stable, at $90.4 million. This was up barely 0.3% over the previous year. The slight increase in volumes causing minimally lower prices was generally responsible for the difference.

During the annual PRO-OEUF meeting, shareholders decided to terminate the undertaking's operations. Set up in 1985, this company was designed as a production outlet, which then channelled products to various buyers.

On April 1, 1987, the first regulation concerning sharing egg hatchery markets between participating provinces came into effect. For the last nine months of 1987, Québec produced

7.9 million dozens of hatchery eggs, for 29.8% of the Canadian market.

2.5 Horticultural products

Potato crop harvests were down from 1986 in Québec, Canada and the United States. This reduction in supplies coupled with a simultaneous increase in demand was reflected in 1987 by a significant increase in prices paid to Québec producers. Whereas sales volumes dropped 11.3%, revenues were up 35.9% to reach close to $53.4 million in 1987.

In December 1987, POMEXPAN purchased the shares of the Groupe La Patate québécoise. The latter is recognized to be Québec's largest potato packer and shipper. Several potato producers combined their efforts and, together with their professional agency, set up a company to handle the marketing of their product. Moreover, public hearings were held throughout the year on the possibility of implementing a Canadian marketing policy. The National Farm Products Marketing Agency is expected to publish its recommendations during the first half of 1988.

Finally, the July 1987 commencement of the levying of the federal tax on potato chips does not appear to have had a negative impact on consumption or, consequently, on the output

of potato processors. Firms in this sector are planning new investment projects.

Total receipts from potato and small fruit sales were $51.4 million in 1987, up 32.8% over 1986. This increase in due mainly to blueberry sales; harvests of this crop shot from barely 460 tons in 1986 to more than 9 000 tons in 1987. Moreover, the stability of this product's price permitted revenues of $11.6 million in 1987, compared to $435 000 in 1986.

Increased North American apple production caused a drop in price for the 1987 harvest. However, the revenues of québec producers were up 33.1% for a total of $76.2 million. The apple sector will benefit, beginning this year, from a tripartite stabilization program under an agreement concluded between Ottawa and five producing provinces, including Québec. Assistance under the program will be based on the moving average of indexed prices for the ten previous years. This agreement is the first of its kind in the Canadian horticultural sector.

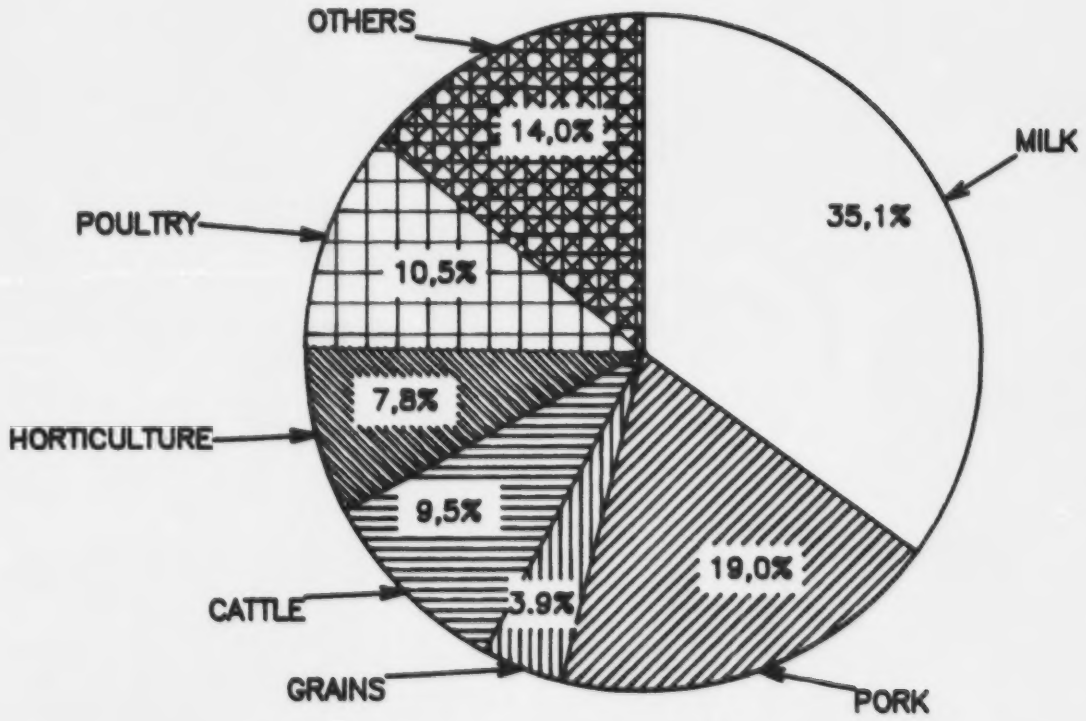
Receipts from the sale of field vegetables, greenhouse vegetables and mushrooms rose 9.6% in 1987.

2.6 Other agricultural products

Maple product production was 8 000 kiloliters in 1987, down 13.7% from 1986. This sector's total receipts dropped 17.3% following decreases in product volumes and quality.

After experiencing a 37.5% drop in 1986, Québec honey production was up 73.2% in 1987, reaching 4 800 kiloliters. Canadian honey production was up 19.4%, whereas that of the U.S. rose 12.1% this increase in supplies led to a significant downturn in prices.

CHART 2.1
CASH RECEIPTS IN THE AGRICULTURAL SECTOR IN 1987
RELATIVE IMPORTANCE BY PRODUCT IN QUEBEC



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC, DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

CHAPTER 3

THE PROCESSING AND DISTRIBUTION OF FOOD PRODUCTS

3.1 Overview

The financial situation of the food and beverage industry improved considerably in 1987. Profit margins rose while sales exceeded operating expenses.

The value of shipments in Québec's food and beverage processing industry totalled $11.66 billion in 1986, a 6.0% increase over the previous year. This increase represents a strong improvement over previous years -- the value of shipments rose by 1.2% in 1985 and by 1.6% in 1986. The industry's general sales price index showed a 3.5% increase in 1987 compared to a 4.2% increase during the previous year.

As regards the various elements of operating costs, there was a 7.5% decrease in the price of vegetable products used as inputs and an increase of 6.9% for animal substances.

Wage rates increased by 4.1% while the price of packaging materials and electricity rose by 3.7% and 1.7% respectively. Finally, the decline in interest rates allowed companies to reduce costs in this area.

TABLE 3.1
KEY STATISTICS FOR QUEBEC'S FOOD AND BEVERAGE SECTOR
FROM 1984 TO 1987

Item	1984	1985	1986(1)	1987(2)	Change 1986/1985	Change 1987/1986
	- '000 000$ -				- % -	
Value of shipments (total activity) (3)	10 706,0	10 833,7	10 996,0	11 660,0	1,5	6,0
Cost of raw materials and energy	7 613,3	7 533,9	*	*	**	**
Value added (total activity) (3)	3 142,1	3 302,3	*	*	**	**
Jobs (number)	55 320	56 023	54 300	55 700	-3,1	2,6
Value of shipments (4) (manufacturing activity)	9 656,6	9 755,4	9 882,0	10 534,0	1,3	6,6
Value of retail sales, food stores	8 354,4	8 771,3	9 506,8	10 476,5	8,4	10,2
Selling price index in canadian industry (1981=100)	114,5	116,1	121,0	125,2	4,2	3,5
Food price index in Montreal (1981=100)	116,1	120,2	128,4	135,1	6,8	5,2

* : not available.
** : not applicable.
(1) Estimates.
(2) Projections.
(3) Also includes manufacturing shipments and certain other activities such as the purchase and resale of products, construction on one's own account, the operation of cafeterias, etc.
(4) Includes only shipments of products made by the manufacturer itself.

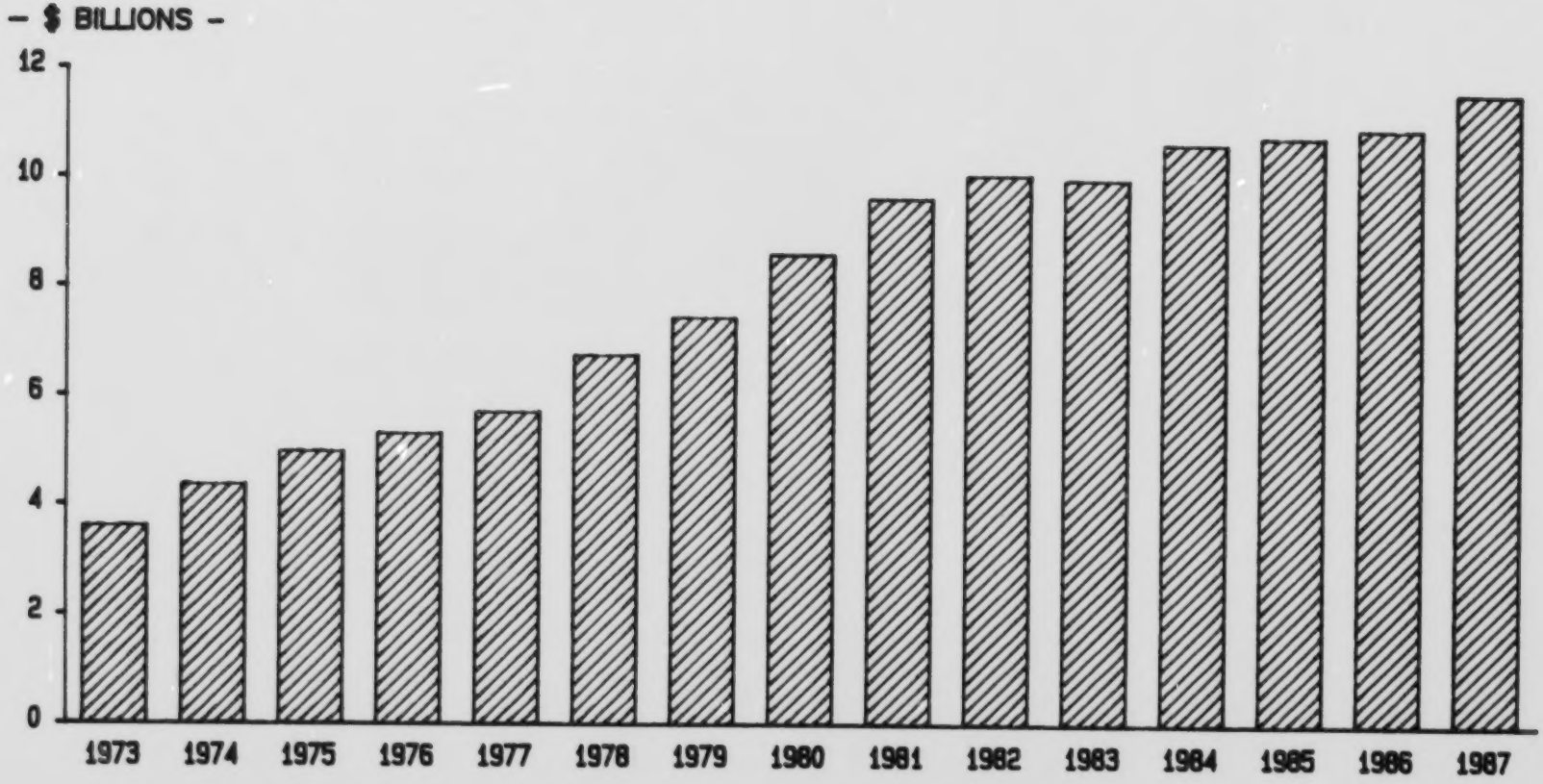
Sources: - Statistics Canada, various catalogues.
- Bureau de la statistique du Québec.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

The demand for food products (measured by retail sales in constant dollars) grew by 3.6% in 1987, compared to an increase of 1.4% and 1.5% for the two previous years. In all, the value of food store sales in current dollars rose from $9.51 billion in 1986 to $10.48 billion in 1987.

This increase in real demand, which exceeds population growth, can be attributed to changes in purchasing behavior. An improvement in the economic situation may have caused households to substitute more costly and more highly refined products for those purchased previously.

Preliminary figures for 1987 show a record high in capital investments and spending on repairs in Québec's food and beverage sector. Expenditures are estimated at $396.4 million in 1987, up 15.2% over 1986. Increases were highest in the dairy products, baked goods, and slaughter sectors.

CHART 3.1
VALUE OF SHIPMENTS IN THE FOOD AND BEVERAGE SECTOR
IN QUEBEC FROM 1973 TO 1987



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC, DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

3.2 The situation in each sector

3.2.1 The milk processing sector

Some patterns of milk use changed during the first eight months of 1987. Canadian consumption of butter continued to decline and decreases could exceed 1.4%. In Québec, this situation was accompanied by a decline of almost 27.7% in butter production, and butter stocks in August 1987 were calculated at 10 808 tonnes compared to 19 461 tonnes for the same period of the previous year.

This decline in the utilization of milk for butter production is partly a result of an increase in the production of other dairy products. There was a 2.6% increase in Québec's cheddar cheese production while other cheeses rose 16.5% during the first eight months of 1987. In addition, the production of ice-cream and yogurt rose by 2.9% and 9.5% respectively.

As far as milk for consumption sold by dairies is concerned, sales of homogenized milk increased by 5.8% while those of partly skimmed milk dropped by 9.6%.

TABLE 3.2
VALUE OF MANUFACTURING SHIPMENTS PER SECTOR
IN THE FOOD AND BEVERAGE INDUSTRY
AND THE TOBACCO INDUSTRY
IN QUEBEC FROM 1982 TO 1985

Sector	1982	1983	1984	1985	Change 1984/1983	Change 1985/1984
	- '000 000$ -				- % -	
Meat and poultry products (10.1)	2 352,8	2 361,8	2 526,5	2 484,2	7,0	-1,7
Fish products (10.2)	100,6	*	108,3	132,1	**	22,0
Fruit and vegetable industries (10.3)	287,5	300,7	344,3	354,2	14,5	2,9
Dairy products (10.4)	2 192,9	2 292,6	2 533,8	2 603,4	10,5	2,7
Cereal grain flour (10.51)	*	*	211,5	235,1	**	11,2
Feed (10.53)	959,0	910,3	915,5	855,3	0,6	-6,6
Vegetable oil mills (10.6)	0,0	0,0	0,0	0,0	**	**
Bakery products (10.7)	653,3	661,0	668,1	688,7	1,1	3,1
Cane and beet sugar (10.81)	*	*	*	*	**	**
Sugar and chocolate confections (10.83)	168,4	157,8	177,9	212,2	12,7	19,3
Other food products (10.9)	*	735,2	826,9	863,7	12,5	4,5
Total - foods (10.0)	7 763,0	7 854,9	8 481,2	8 559,6	8,0	0,9
Soft drink (11.1)	326,2	352,1	397,0	387,7	12,8	-2,3
Distillery products (11.2)	187,7	194,1	197,1	181,8	1,5	-7,8
Brewery products (11.3)	477,5	495,4	536,8	571,9	8,4	6,5
Wine (11.4)	34,4	35,3	44,5	54,3	26,1	22,0
Total - beverages (11.0)	1025,8	1 076,9	1 175,4	1 195,8	9,1	1,7
Food and beverage industry	8 788,8	8 931,8	9 656,6	9 755,4	8,1	1,0
Tobacco (12.0)	679,3	704,9	747,6	811,2	6,1	8,5

* : not available.
** : not applicable.

Note: Data from confidential sectors do not figure in the table but are included in "total - foods (10.0)".

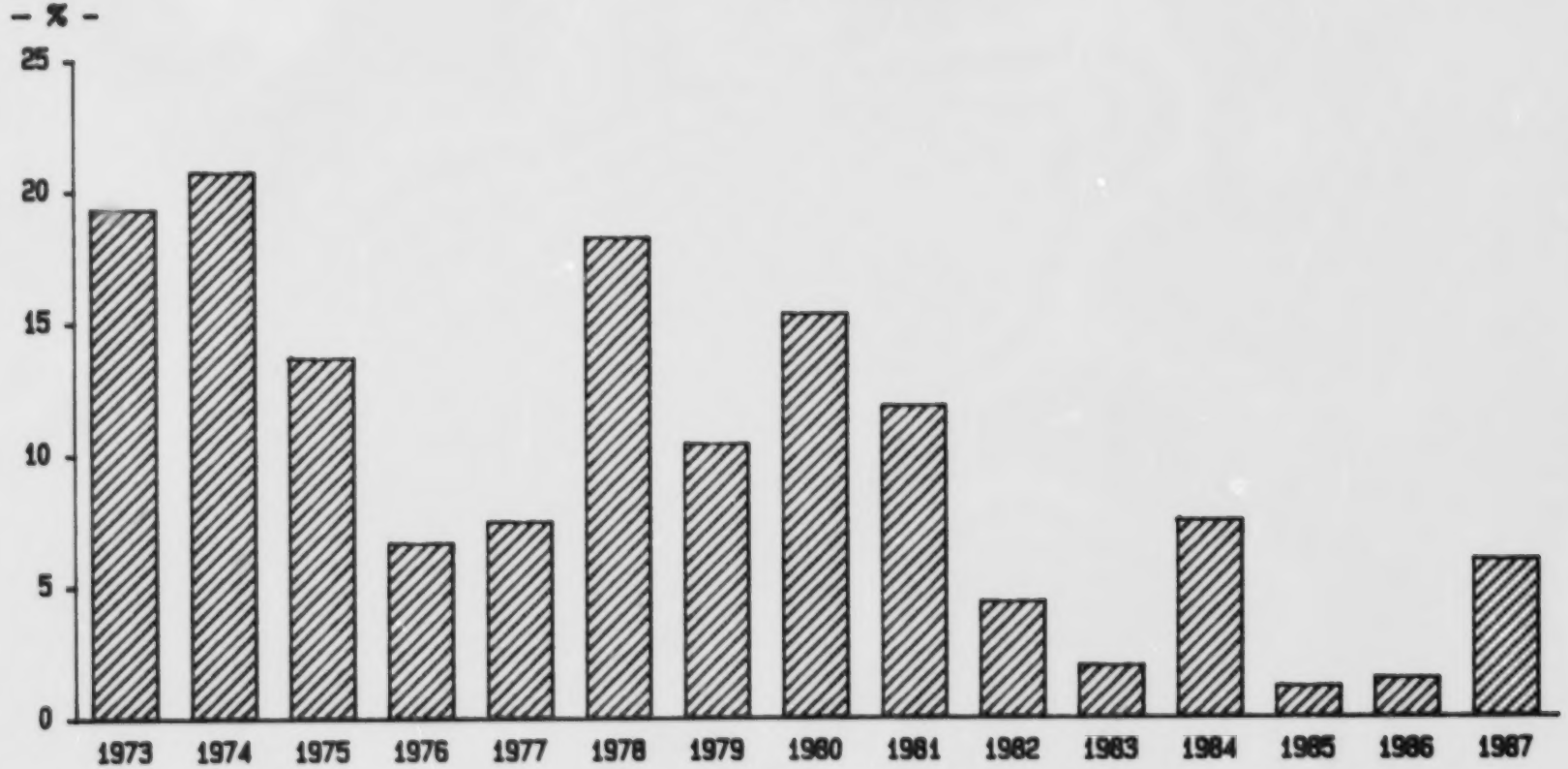
Sources: - Statistics Canada, Manufacturing industries of Canada, catalogue number 31-203.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

Québec's exports of milk products declined following Algeria's decision to cease importing evaporated milk and as a result of a decline in foreign sales of skim milk powder.

Over the past year, milk processing firms significantly increased their investments, from $59.9 million in 1986 to more than $96.1 million in 1987. Several companies are implementing projects for expansion and purchase of machinery. The integration trend continued with several companies being bought or merged. Following Purdel's acquisition of La Ferme Saint-Laurent, Agropur took over the Choix-Unic group.

Milk production costs are negotiated between producers and the processors' associations. Since August 1985, milk prices have been determined on the basis of end use. Cheese, yogurt, and ice-cream producers charge a higher price than butter producers. The last price negotiations, begun in April 1987, reached a deadlock in December. Some buyers complained that the arbitrational decision of the Régie des marchés agricoles du Québec unduly disadvantaged specialty cheese producers while giving preferential treatment to butter and cheddar producers.

CHART 3.2
VALUE OF SHIPMENTS IN THE FOOD AND BEVERAGE SECTOR
ANNUAL CHANGE IN PERCENTAGE
IN QUEBEC FROM 1973 TO 1987



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC,
DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

3.2.2 The meat and poultry industry

While the number of pigs slaughtered increased by 1.8% in 1987, there was a 6.6% drop in the number of cattle and calves brought to slaughter. Sheep slaughtering declined 4.8% whereas that of chickens rose 9.3% and that of turkeys, 11.6%.

During the first ten months of 1987, manufacturing shipments for the industry as a whole decreased by 5.8% from the previous year. While the value of sales in the meat industry dropped by 8.2%, that of sales in the poultry processing industry increased by 6.8%. This situation essentially reflects the downward trend in the price of pork and in production volumes in the beef sector.

During the first three quarters of 1987, the value of beef exports rose to $31.8 million compared to $43.5 million for 1986. The total sales volume dropped from 15 911 tonnes in 1986 to 9 419 tonnes in 1987. Pork exports were down 5.7% in volume and 4.2% in value.

During 1987, a large number of companies in the poultry processing sector were acquired by a new group. The emergence of this new firm may cause some changes in market conditions. The sector now totals five major companies, with eight smaller companies accounting for the remainder of the market.

TABLE 3.3
VALUE OF INTERNATIONAL EXPORTS LOADED IN QUEBEC
PER SECTOR IN THE FOOD AND BEVERAGE INDUSTRY
AND THE TOBACCO INDUSTRY
FROM 1984 TO 1987

Sector	1984	1985	1986	1987(1)	Change 1986/1985	Change 1987/1986
		- '000 000$ -			- % -	
Meat and poultry (10.1)	465,3	451,4	543,0	519,8	20,3	-4,3
Fish products (10.2)	92,2	110,0	146,7	149,4	33,4	1,8
Fruit and vegetable industries (10.3)	31,5	34,7	44,4	44,6	28,0	0,5
Dairy products (10.4)	204,6	186,6	147,9	100,7	-20,7	-31,9
Cereal grain flour (10.51)	52,4	39,4	41,8	34,5	6,1	-17,5
Feed (10.53)	30,5	25,2	24,3	18,7	-3,6	-23,0
Vegetable oil mills (10.6)	20,7	14,9	9,0	7,0	-39,6	-22,2
Bakery products (10.7)	18,0	21,5	21,0	23,5	-2,3	11,9
Cane and beet sugar (10.81)	14,4	7,7	12,3	7,9	59,7	-35,8
Sugar and chocolate confections (10.83)	47,0	44,7	47,4	42,3	6,0	-10,8
Other food products (10.9)	52,0	57,1	77,2	88,1	35,2	14,1
Total - food (10.0)	1 028,6	993,2	1 115,0	1 036,5	12,3	-7,0
Soft drink (11.1)	4,9	4,3	5,7	3,6	32,6	-36,8
Distillery products (11.2)	90,4	70,3	66,5	69,2	-5,4	4,1
Brewery products (11.3)	28,6	30,0	39,5	52,2	31,7	32,2
Wine (11.4)	0,3	0,4	1,1	0,8	175,0	-27,3
Total - beverages (11.0)	124,2	105,0	112,8	125,8	7,4	11,5
Food and beverage industry	1 152,8	1 098,2	1 227,8	1 162,3	11,8	-5,3
Tobacco (12.0)	7,1	6,0	11,3	21,9	88,3	93,8

(1) Projections based on the cumulative values of the first nine months of the year.

Sources: - Bureau de la statistique du Québec, International exports loaded in Quebec.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

3.2.3 Feed industry

For the third year in a row, selling prices continued to drop in the feed industry. They were down 3.5% in 1987 compared with 6% in 1985 and 1% in 1986. This phenomenon can be attributed to a major reduction in the cost of the feed grains used as raw material.

However, an increase in the sales volume brought about an increase of 6.3% in the value of shipments for this industry during the first ten months of 1987. This increase is reflected primarily in feed shipments for pork and dairy cattle herds.

3.2.4 The beverage industry

The value of shipments in the beverage industry was up by 11.1% in 1987 compared to 3.8% in the previous year. This sector's financial position seems to have improved primarily as a result of the effect of non-sector profits due to activities outside the sector.

In the breweries sector, the value of shipments jumped significantly (20%) during the first ten months of 1987. This rise can be attributed primarily to increases in volume and price. Sales showed a sharp increase during the summer of 1987, compared to the same period in 1986, due to a

particularly warm season. The strategy adopted by the three main companies in this sector was to increase retail stocks in order to benefit from maximum visibility. Finally, a large Australian import-export company took over one of the major Canadian companies.

The wine and distilleries industries saw slight increases in their shipments. Some companies in this sector continued to implement their consolidation projects both nationally and internationally.

The soft drink industry may have suffered a slight decrease this year. The selling price index of this industry has remained fairly stable over the last four years. One dairy company ceded its soft drink division to a company specializing in this sector.

3.3 Food product distribution

During the first nine months of 1987, retail sales of food stores rose by 9.1% in comparison with the same period the previous year. Sales increases excluding the influence of prices would be 3.7%.

In 1987, the value of sales by food retailers totalled $10.48 billion in Québec. Over 75% of the sales were made by supermarkets while specialty food stores captured 11.9% of

the market. Convenience stores and other retail outlets accounted for the remainder of sales.

Companies operating in the food distribution sector were particularly active in acquisitions. Following Steinberg and Provigo in 1986, Métro-Richelieu took several important steps in 1987 toward its expansion and diversification. After diversifying its activities into hardware products and pharmaceuticals, the Métro-Richelieu group acquired 50% of the shares of Giorgio restaurants, and subsequently Pastelli restaurants, formerly owned by Saint-Hubert. In May, the group planned to purchase 14 new supermarkets from the Super Carnaval chain and two food distributors in the Québec City region. The group also acquired Pêcheries Atlantique du Québec Inc. This wholesale seafood company was integrated with Boeuf Mérite, the current frozen fish and meat distributor for Métro-Richelieu.

Food distribution firms placed increasing emphasis on their role as wholesalers. With the sale of the Sept Jours convenience store chain to Alimentation Couche-Tard, Métro-Richelieu consolidated its position as this company's supplier. Steinberg's strategy of franchising some of its stores was based on similar motives. In November, this company also opened a new chain of small grocery stores.

Finally, Provigo acquired two companies operating in the food services sector through its subsidiary Dellixo. The company also continued its expansion outside of Québec through acquisitions in the United States and Ontario.

CHAPTER 4

PRODUCTION AND PROCESSING OF FISH PRODUCTS

4.1 Activities in the fisheries sector outside Québec

Total landings of fish, mollusks, and shellfish on the Atlantic Coast of Canada (the Maritime provinces, Newfoundland and Québec), amounted to 1 039 873 tonnes for October 1987, down 2.3% from the same period the previous year. Landed value of the catch totalled $898.5 million, an increase of 32.6%.

Atlantic Coast processing plants production was down 16.5%, reaching 228 567 tonnes for the first seven months of 1987. Frozen products decreased 15.7% to 144 787 tonnes, while the volume of mollusks and shellfish dropped 37.8% to 12 566 tonnes. At the end of July 1987, processed fish stocks were up 9.1% from the same period the previous year.

Québec's catches for 1987 accounted for 8.5% of the total for the Atlantic Coast compared with 7.8% the previous year. The value of 1987 catches represented 12.9% of the Atlantic Coast as a whole as compared to 11.6% in 1986. This improvement in Québec's performance can be attributed to the 11.8% increase in groundfish catches in Québec while the four Atlantic provinces showed a 3.1% decrease.

TABLE 4.1
VOLUME AND VALUE OF CATCHES FOR QUEBEC MARINE FISHERIES PRODUCTS FROM 1984 TO 1987

Species	1984	1985	1986	1987(1)	Change 1986/1985	Change 1987/1986
Volume of catches			- tonnes - (2)		- % -	
Cod	37 573	41 865	34 274	30 543	-18,1	-10,9
Redfish	13 855	9 268	9 917	14 662	7,0	47,8
Atlantic halibut	67	132	206	156	56,1	-24,3
Greenland halibut	1 510	2 018	6 241	10 631	209,3	70,3
Flounder	2 655	3 467	4 494	5 705	29,6	26,9
Herring	2 888	3 342	3 860	5 593	15,5	44,9
Mackerel	2 231	2 178	3 004	2 753	37,9	-8,4
Eel	302	344	318	4	-7,6	-98,7
Shrimp	5 278	6 539	6 689	7 646	2,3	14,3
Crab	12 766	15 301	14 761	10 128	-3,5	-31,4
Lobster	1 875	2 137	2 268	2 658	6,1	17,2
Scallops	1 102	1 304	1 171	1 954	-10,2	66,9
Other species	1 775	2 294	2 767	3 150	20,6	13,8
Total	83 877	90 189	89 970	95 583	-0,2	6,2
Value of catches			- '000$ -		- % -	
Cod	14 688	18 319	17 169	23 037	-6,3	34,2
Redfish	3 153	2 062	2 409	3 883	16,8	61,2
Atlantic halibut	188	419	540	443	28,9	-18,0
Greenland halibut	884	1 278	4 994	13 804	290,8	176,4
Flounder	1 048	1 584	2 727	4 800	72,2	76,0
Herring	660	878	1 027	1 486	17,0	44,7
Mackerel	682	643	840	733	30,6	-12,7
Eel	780	1 136	1 461	8	28,6	-99,5
Shrimp	6 990	8 764	11 463	18 269	30,8	59,4
Crab	15 344	17 495	26 057	32 061	48,9	23,0
Lobster	9 357	11 433	13 569	18 150	18,7	33,8
Scallops	1 618	1 832	1 583	3 039	-13,6	92,0
Other species	1 145	1 846	2 064	2 511	11,8	21,7
Total	56 537	67 689	85 903	122 224	26,9	42,3

(1) Preliminary figures.
(2) Volume is in live weight.

Sources: - Fisheries and Oceans Canada, Quebec marine fisheries, Annual statistical review and Landing monthly statistics by species.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

Privatization of Fishery Products International (FPI) by the federal government was carried out by the public issue of shares. Situated in Newfoundland, the company was founded in 1984 by the integration of the activities of several firms. In 1986, Fishery Products International posted profits of $46 million. Share issues brought in $177 million.

No solution has as yet been found to the disagreement between Canada and France. The year 1987 saw changes in both negotiating teams and the issue was taken in hand directly by the respective Prime Ministers. Boundary dispute negotiations involving Canada and Saint-Pierre-et-Miquelon are progressing as scheduled, but fishing quota negotiations have reached a standstill. At present, France has been alloted no quota, either for its archipelago or home fishing fleets.

4.2 Production in the Québec fisheries sector

4.2.1 Sea fisheries

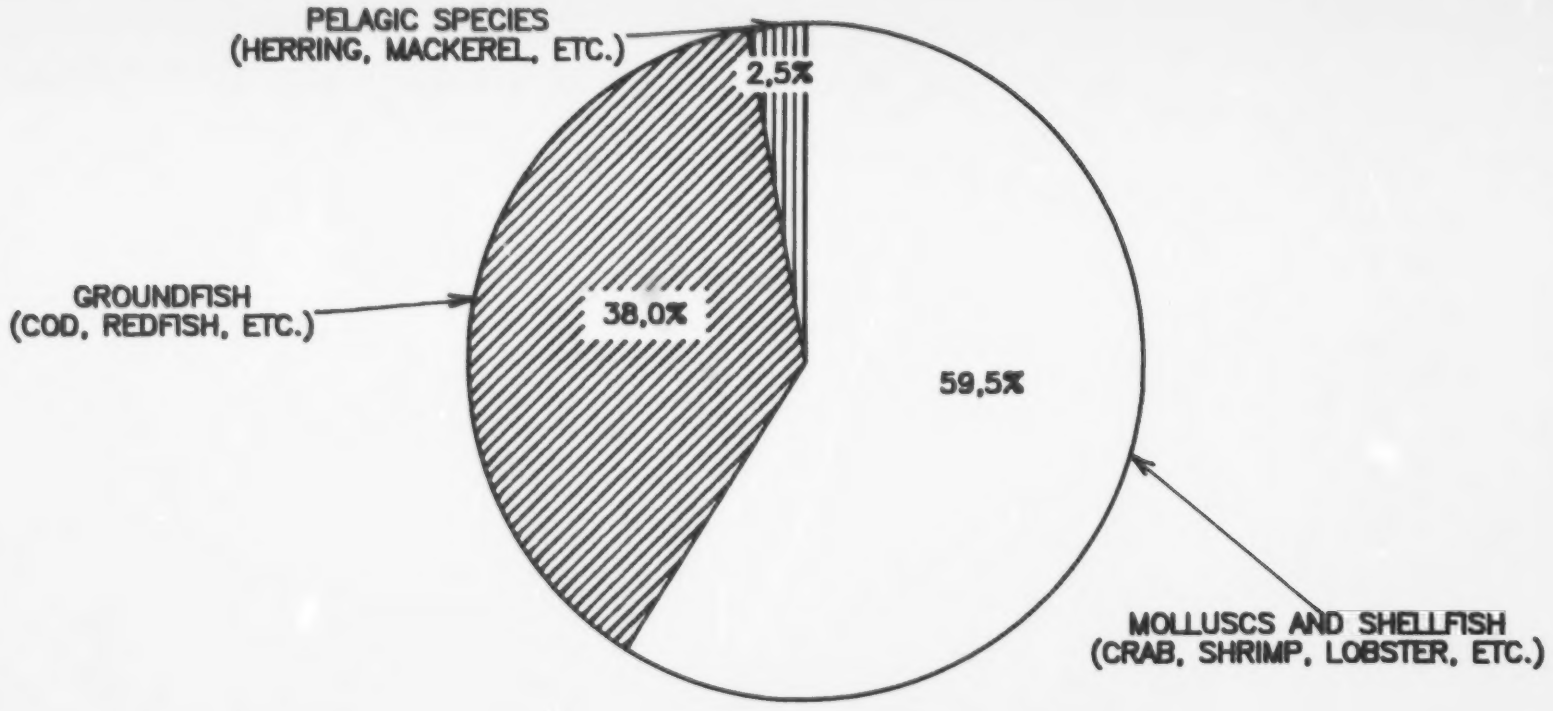
The 1987 fishing season was marked by several events which will, to a greater or lesser degree, influence this fishing region. Crab and lobster catches were slow in certain areas because of adverse weather conditions. Cod quotas for mobile gear in the southern Gulf region were quickly attained and even exceeded. Frequent halts in

activities of this sector of the fleet were caused by the small size of cod and its scarcity in the coastal fishing waters.

According to preliminary figures for Québec, the 1987 fishing season registered a slight increase in catches; catch values once again show a significant increase. While volumes rose from 89 970 tonnes in 1986 to 95 583 tonnes in 1987, an increase of 6.2%, values jumped by 42.3% from $85.9 million in 1986 to $122.2 million in 1987.

Groundfish, the most important group in terms of volume, was up by 12%. The landed value increased by 66%, reaching $46.5 million. Landings of haddock and Greenland halibut increased by 47.8% and 70.3% respectively. Cod, which accounts for half of this group, dropped by 10.9%. This decrease affected Gaspésie (-12%) and, in particular, the Côte-Nord region where catches dropped by 27%, from 6 051 tonnes in 1986 to 4 407 tonnes in 1987. Three years ago, catches totalled 10 554 tonnes.

CHART 4.1
LANDED VALUE IN THE MARITIME FISHERIES SECTOR (1987)
COMPARATIVE SIZE OF CATCHES OF MAJOR SPECIES IN
QUEBEC

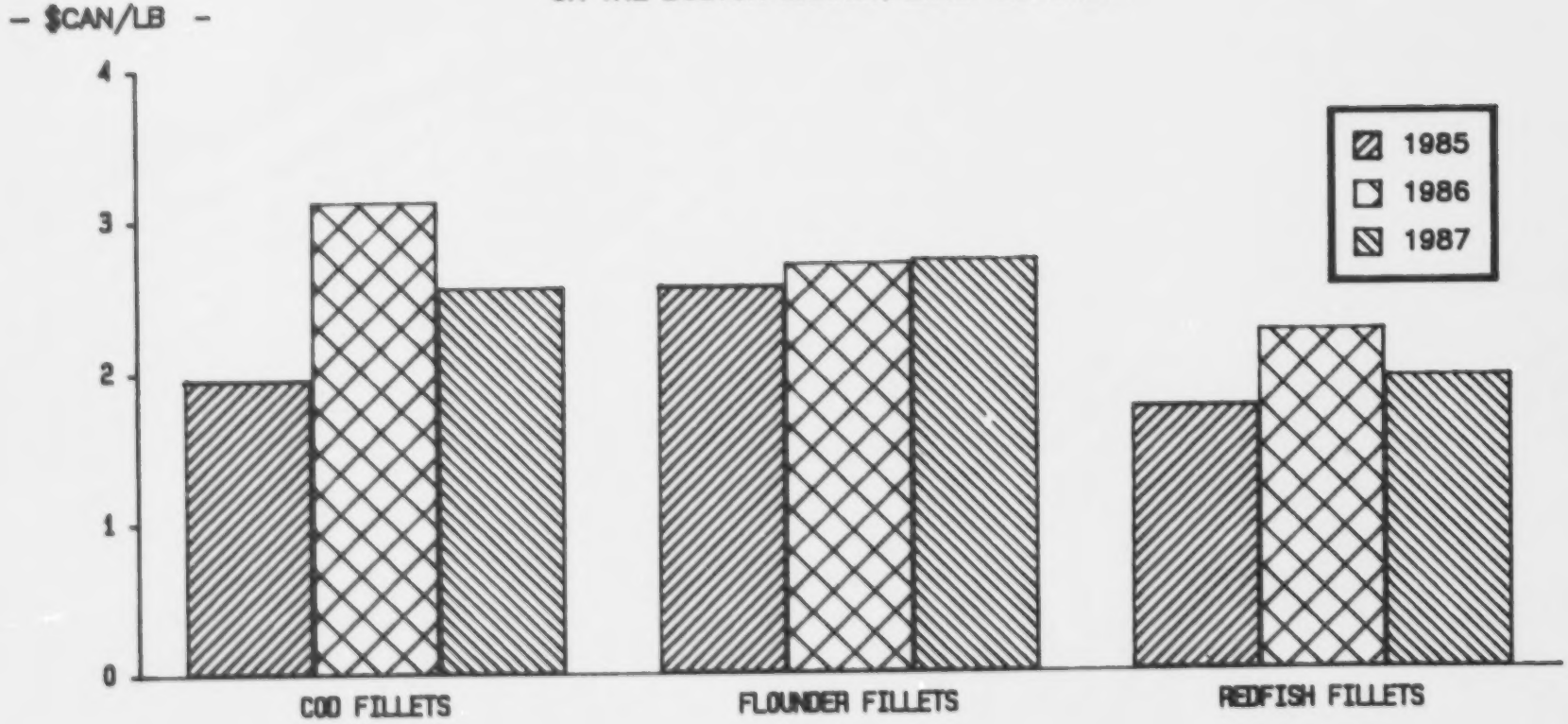


SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC,
DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

Mollusks and shellfish, the second largest group, registered an 8% decrease in volume -- 24 226 tonnes in 1987 compared 26 445 tonnes in 1986. Its landed value increased by 36%, reaching $72.7 million in 1987. This group accounted for 59.5% of the total landed value for 1987, down from 1986, when it represented 62.3% of this value. This decrease can be attributed to the 31.4% drop in crab catches.

Once again, snow crab registered the highest landed value per species, totalling $32.1 million, an increase of 23% over 1986. Regional distribution of crab landings shows a sharp 46% decrease in the Iles-de-la-Madeleine and Gaspésie regions. Various theories have been put forward to explain this phenomenon: overfishing in previous years, trawler activity or unusual hydrological phenomena. The three-week delay in the opening of the fishing season for mid-shore fishing boats cut short the most productive part of the season. Among other major species, shrimp catches were up 14.3% and lobster by 17.2%. The one-week postponement of the lobster season in the Iles-de-la-Madeleine does not seem to have had any negative effects. Overall, the season was excellent posting increases of 19% in catch volumes, representing a total of 1 885 tonnes and a 38% increase in value for an overall total of $12.9 million. Shrimp became the second most important species in terms of value, with catches estimated up to $3.6 million.

CHART 4.2
AVERAGE PRICE OF FISH FILLETS
ON THE BOSTON MARKET, EARLY DECEMBER



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC, DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

Landed prices for nearly all species of fish increased sharply. The most significant increases were: 79.3% for crab (from $1.76 to $3.17/kg); 62.3% for Greenland halibut (from $0.80 to $1.30/kg); 50.6% for cod (from $0.51 to 0.75/kg); 39.4% for shrimp (from $1.71 to $2.39/kg); 38.7% for flounder (from $0.61 to $0.84/kg). Only eel posted a significant drop with a 56.5% decrease (from $4.59 to $2.00/kg). Prices for mackerel and herring remained essentially unchanged.

U.S. demand regarding supply ceilings has contributed to the increase in prices. The drop in the U.S. dollar in comparison with European currencies and the Japanese yen have been favorable for Québec.

4.2.2 Commercial fish culture and fishing in inland waters

In 1987, commercial fish culture in Québec totalled 995 tonnes with a value of $8 million, compared with 855 tonnes and a value of $7.6 million in 1986. This volume was comprised mainly of rainbow trout (160 tonnes) and eastern brook trout (640 tonnes). Culture of these species remained stable in comparison with the previous year. Salmon and blue mussel, which first appeared as cultivated products in 1986 with production figures of 10 and 45 tonnes, tripled in volume in 1987, reaching 30 and 140 tonnes respectively. In addition,

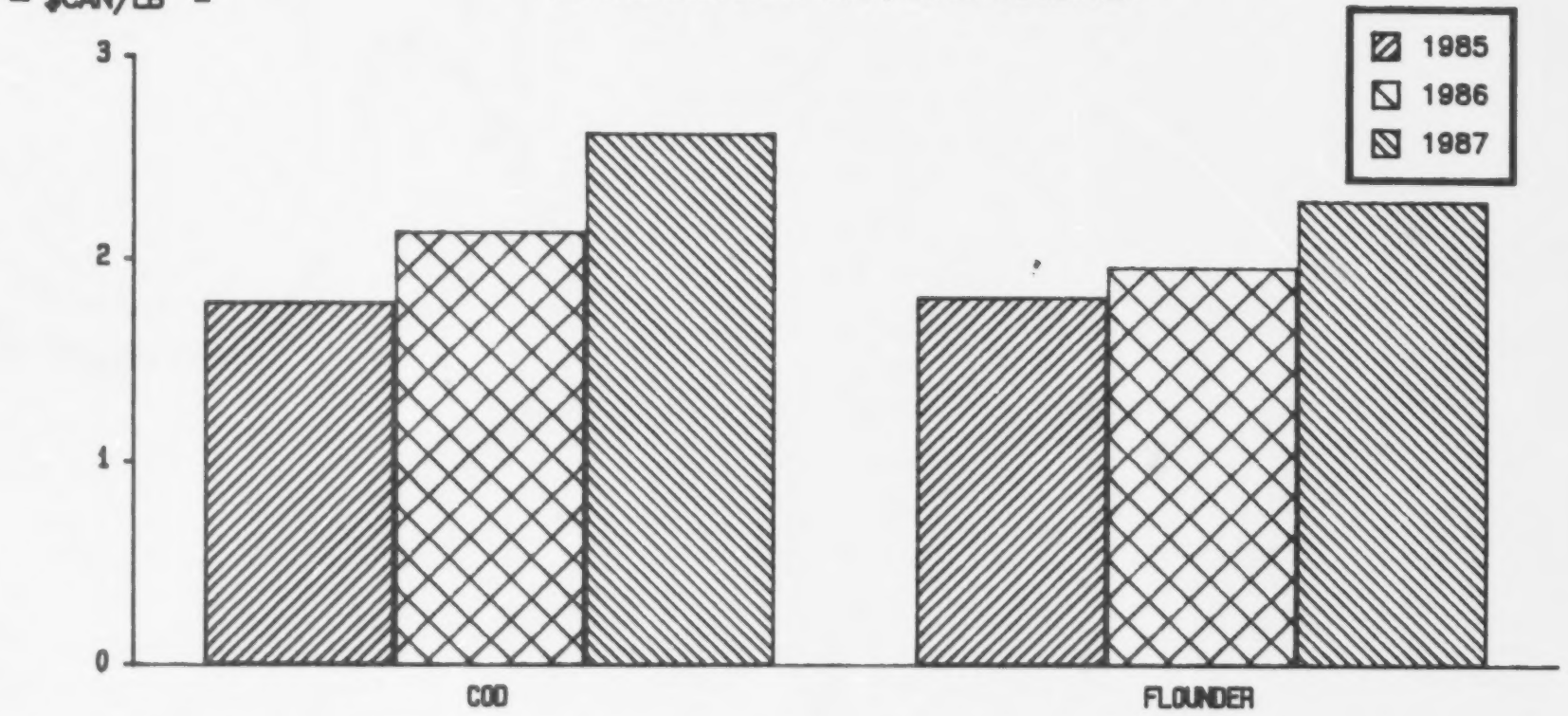
TABLE 4.2
CHIEF FIGURES FOR FISH PROCESSING ACTIVITIES IN QUEBEC
FROM 1984 TO 1987

Breakdown	1984	1985	1986	1987	Change 1986/1985	Change 1987/1986
		- '000 000$ -			- % -	
Value of delivery (total activity) (1)	121,9	138,7	176,0	210,0	26,9	19,3
Cost of raw materials and energy	81,6	93,2	*	*	**	**
Value added (total activity) (1)	39,7	45,2	*	*	**	**
Employment (number)	1 859	2 276	*	*	**	**
Sales price index for canadian industry (1981=100)	107,8	112,2	124,6	145,7	11,1	16,9

* : not available.
** : not applicable.
(1) Also includes factory deliveries, other activities such as the buying and selling of products, construction by an agency for its own benefit, operating cafeterias, etc.

Sources: - Statistics Canada, various catalogues.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

CHART 4.3
AVERAGE PRICE OF BLOCKS
ON THE BOSTON MARKET, EARLY DECEMBER



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC, DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

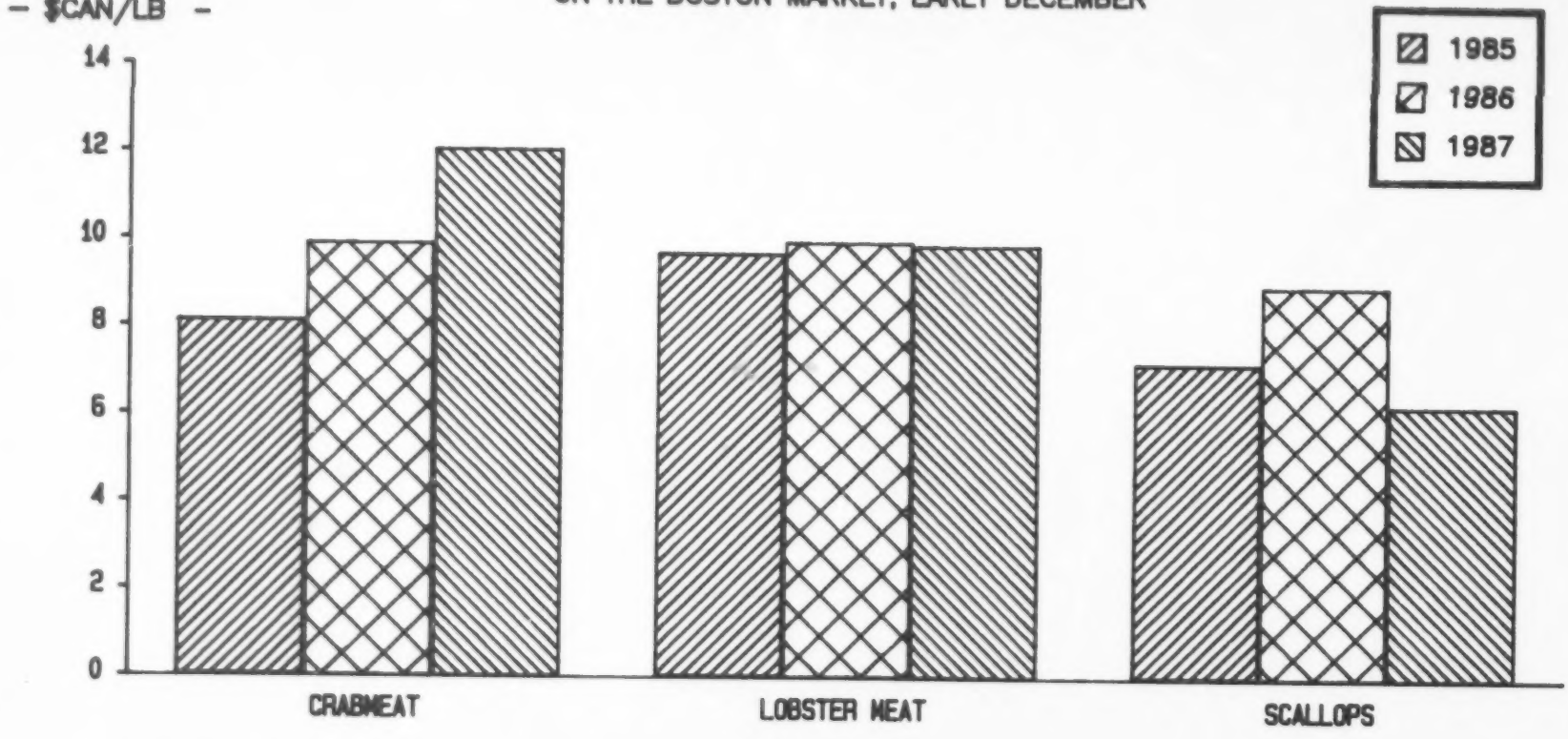
experimental production of speckled trout reached 25 tonnes.

In the commercial inland fishing sector, catches totalled 1 019.2 tonnes in 1987, a decrease of 20.9% in comparison with the previous year. The chief species harvested were: catfish (373.5 tonnes), perch (213 tonnes), eel (132.1 tonnes), and yellow sturgeon (119.7 tonnes). Lac Saint-Pierre showed the greatest volume of catches accounting for 66% of the Québec total.

In 1987, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, in conjunction with the Ministère du Loisir, de la Chasse et de la Pêche proposed a development plan for the various resources of Lac Saint-Pierre. Consultations have taken place, and decisions have been made for the management by and allocation of aquatic resources to the commercial and sport fishing industries.

The Department has issued 35 experimental permits for projects aimed at increasing knowledge about the volume of various fish stocks in inland waters.

CHART 4.4
AVERAGE PRICE FOR OTHER
FISH PRODUCTS
ON THE BOSTON MARKET, EARLY DECEMBER



SOURCE: MINISTERE DE L'AGRICULTURE, DES PECHERIES ET DE L'ALIMENTATION DU QUEBEC, DIRECTION GENERALE DE L'ECONOMIE, FEBRUARY 1988.

4.3 Seafood products processing industry

In 1987, the value of shipments for Québec processors of sea products -- for plants located both on the coast and inland -- could increase by 19.3%, reaching $210.0 million. This performance is primarily a result of a price increase, as production in terms of volume remained relatively stable. Québec's seafood products processing industry dropped 7% in terms of shipment values in 1984 and has been on the rise since that time with increases of 13.8% and 26.9% in 1985 and 1986 respectively.

The value of exported fishery products loaded in Québec during the first nine months of 1987 was up 1.8% from the same period the previous year, climbing from $113.5 million to $115.6 million. In 1986, these exports increased by 33.3% in comparison with the preceding year. Exports for the various fish products totalled $57.6 million while mollusks and shellfish totalled exports of $55.2 million. Among the chief products are all forms of salt cod ($8.5 million), halibut fillets ($8.1 million), cod blocks and slabs ($9.3 million), haddock fillets ($7.6 million), fresh or frozen crab and shrimp ($23.3 million and $13.9 million respectively).

Prices for products sold on the Boston market were erratic in 1987. Cod blocks were among the best sellers, reaching CAN$2.63/lb in late December, compared to CAN$2.14 in December

1986, an increase of 22.9%. The price of five-pound packages of boned cod fillets dropped from CAN$3.13 in 1986 to CAN$2.56/lb at the end of 1987. In the mollusk and shellfish group, crab meat rose 21.8% to CAN$12.08/lb while the price of scallops dropped 30.3%. U.S. consumption of seafood products increased from 13.7 pounds per person in 1984 to 14.5 pounds in 1985 and 15.5 pounds in 1986. In 1987, U.S. consumption reached 16 pounds per person.

In December 1987, the U.S. embargoed some species of groundfish originating from Canadian Atlantic provinces. Certain restrictions in the American conservation plan prohibit the processing of fish below a certain size. The U.S. government decided that these measures could only be effective if similar restrictions were placed on imports of identical species.

As regards countervailing duties, the U.S. considerably reduced duties on salt cod. In 1985, the U.S. government had imposed a 16.3% surtax on Gaspésie cod and a 20.75% surtax over and above that imposed by the Canadian Saltfish Corporation. On November 6, 1987, these rates were reduced from 16.3% to 1.86% and those applying to products of the Corporation were eliminated. The 6.85% surtax on fresh whole groundfish on January 2, 1986 was reduced to 5.82% on March 14, 1986.

In fall 1987, the Canadian fisheries industry was rocked by the report of several cases of mussel poisoning which prompted federal authorities to prohibit the sale of certain mollusks. Québec consumers were particularly hard hit, and the reputation of all seafood products suffered accordingly. The incident is expected to cause short-term setbacks for certain forms of commercial fish production.

In the inland water fish products processing sector, the Department gave technical and financial support to projects aimed at the development of regional industries. These projects are located in Abitibi-Témiscamingue, at the Manic 5 reservoir and in Northern Québec.

Finally, as regards privatization, Madelipêche Inc. was sold in February 1987 to two Iles-de-la-Madeleine companies. Madelipêche Inc. was founded in 1978 to take over the facilities abandoned by Gorton Pew. The company posted sales of $22 million in 1986 and a deficit of $1.5 million. The Société québécoise d'initiatives agro-alimentaires (SOQUIA) sold all of its shares in Pêches Nordiques to its minority partner "Les Fruits de mer de l'Est". This company is a subsidiary of Clearwater Fine Foods of Nova Scotia. Pêches Nordiques owned two 41.1-meter offshore fishing vessels, the Kristina Logos and the Lumaaq.

CHAPTER 5

ECONOMIC OUTLOOK FOR 1988 IN THE AGRICULTURE, FISHERIES AND FOOD SECTOR

The new U.S. "Farm Bill" saw its second year of application in 1987. The Act, amended in 1985, gave a new direction to U.S. policy. Conscious of continuing production surpluses and the deficit of its trade balance, the U.S. favoured policies designed to enable it to win back its share of the world grain market and gain better control of long-term government expenditures.

The year 1987 appears to have been a turning point for the Americans. Indeed, for the first time since 1984, the value of farm exports rose. What is more, certain indicators pointed to a stabilization of land prices, a reduction of the farm debt, a decrease in stocks and a record level of farm income.

In Europe, meanwhile, the EEC countries failed to reach a consensus in 1987 on how to reduce the considerable budget devoted to the agricultural sector. European ministers of agriculture and the heads of state of various member nations met several times to try to find ways to slow production and reduce subsidies on specific products. It was not until

early February 1988 that an accord was reached on the control of joint agricultural spending.

In 1988, the Canadian economy should experience slowed growth owing to an insignificant rise in consumer and foreign sector demand. Interest rates will fall, while the savings rate will remain under the 10% mark of personal income. In Québec, housing starts will not exceed 50 000 units and the unemployment rate will remain around 10%.

Since early 1988, the Canadian dollar has risen strongly against its U.S. counterpart. Thus, while the Canadian dollar was trading at US$0.72 in 1986, and at US$0.75 in 1987, it reached US$0.79 in the first few weeks of February 1988. Moreover, the U.S. dollar fell to 127 Japanese yen and 1.635 Deutsche marks in early 1988. In 1986, the U.S. dollar was worth 2.17 marks and nearly 169 yen. Parallel to the strengthening of the Canadian dollar in relation to the U.S. dollar, Canadian currency went down against the currencies of its other main trading partners.

If these trends continue, the United States should see an improvement in its trade balance at a time when the competitive situation of Canadian products compared with that of U.S. products would be effected. Moreover, Canadian exports would be more competitive in relation to the products of its other trading partners.

5.1 Outlook for the agriculture and fisheries sectors outside Québec

During the next harvest year, world grain supplies for animal feed should decrease by 3%, reducing stocks to 80% of current levels, given a steady rate of consumption. This situation should lead to a strengthening of grain prices, although they will remain at very low levels.

The continuation of the farm acreage-reduction program and the lowering of lending rates in the United States will make it possible to maintain wheat production at current levels. On the international scale, prices should rise slightly during the 1988-1989 campaign.

In the United States, total production of red meat and poultry could go up by 2.6% in 1988. Poultry would be primarily responsible for this increase, production in this area rising by 5.1% while red meat production would increase by 1.3%. In this sector, beef production would go down by 3.6% whereas supplies of pork would increase by almost 10%.

These production trends should cause steer prices to fluctuate between US$62 and US$65 per hundred pounds in early 1988. They are expected to peak in spring, approaching US$70, and then stabilize at US$65 in the second half of 1988.

The rise in pork production will bring pork prices down. The results of a December 1, 1987 study reflect a 6% increase in livestock and the average price of pork should range from US$42 to US$45.

Based on slaughter weight, U.S. imports of Canadian pork went up by 8% over the first nine months of 1987. Moreover, imports of live pigs were down 22% from the same period the preceding year. Countervailing duties on live pigs from Canada were set at CAN$4 486 per hundred pounds and the review

process for the period from April 1, 1985 to March 31, 1986 ended. After a period of consultation, a revised duty will be announced, which will mean a reimbursement for some U.S. importers and additional charges for others.

With respect to chicken, the wholesale price dropped from US$0.57 per pound in 1986 to US$0.48 per pound in 1987 and could continue its fall to US$0.44 in 1988.

In 1988, the new price support will determine the course of U.S. dairy production. In 1987, production fell by around 1% from the preceding year, and another drop is expected in 1988.

In the fisheries sector, increased landings of groundfish from the northeastern Pacific and the Barents Sea will stabilize the global supply of seafood products in 1988. European waters should see a slight reduction in the availability of groundfish, while the east coast of Canada and the United States can expect increased landings.

Increased consumption of fish and seafood in the United States should begin to drop under the impact of decreased consumer purchasing power and strong competition from other meats.

5.2 Outlook for Québec agriculture

In 1988, Québec agriculture will again be subject to the major trends of the U.S. farm economy, while at the same time pursuing its own course.

Animal products are still the principal source of income for Québec farm operations. These products represent over 75% of receipts, whereas grain sales make up only 4.0%.

TABLE 5.1
PERCENTAGE OF CHANGE IN PRICE, VOLUME
AND CASH RECEIPTS(1)
FOR QUEBEC IN 1988

Products	Price	Volume	Receipts
	- Change 1988/1987 in % -		
Milk	0,92	1,87	2,81
Pork	-15,72	4,82	-11,66
Cattle and calves	1,20	-2,14	-0,97
Poultry	-0,66	3,61	2,93
Eggs	-0,36	2,46	2,09
Grains	-0,77	7,34	6,62
Potatoes	-26,29	31,75	-2,89
Vegetables and mushrooms	2,15	2,42	4,63
Apples	-12,96	18,10	2,79
General index	-3,38	3,01	-0,47

(1) Cash receipts for the dairy industry, farm insurance plans and supplementary payments are excluded.

Source: - Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

Operations active in the animal production sector will benefit from the stability of grain prices.

The overall volume of production will increase by 3.0% while prices could drop by the same amount. Thus, cash receipts from the sale of agricultural products, excluding all government payments, will remain stable in 1988.

Milk production has a considerable influence on the general well-being of agriculture in Québec. Accounting for over 35% of receipts, dairy production will increase by 1.9% while the rise in prices will remain modest. Producers will benefit from a reduction in marketing charges.

Pork production will continue to expand, at least until the second quarter of 1988. Nevertheless, prices will drop substantially compared with 1987. The beef sector will continue to benefit from high prices, while slaughter activity will diminish somewhat.

Preliminary estimates of poultry production reflect a rise of 3.7% in total sales in 1988, chicken production increasing by 4.6% and turkey production decreasing by less than 1%.

With a view to better adapting production to demand, changes have been made in the regulations governing the chicken and turkey sectors. At its meeting in December 1987, the Canadian Chicken Marketing Agency decided to implement a penalization system for provinces failing to respect their periodic quotas. The system will be introduced on March 20, 1988. Had it been in effect in 1987, Québec would have had to pay $650 000 in fines and Ontario over $1 000 000. In the turkey sector, growing demand for heavier turkeys has induced the Canadian Turkey Marketing Agency to propose a system in which production is divided into two sectors: one

for heavy turkeys and another for lighter turkeys. This proposal should be implemented in 1989.

Considering the situation of the international grain market, the average price of grain in 1988 should stabilize at the 1987 level. Last year's excellent harvest will mean increased sales this year. The low prices of recent years will result in increased compensation in the form of farm income stabilization payments.

In 1988, compensation in this area could rise to 37%, or $159 million. Moreover, compensation paid under harvest insurance plans would rise from $52.2 million to $15.5 million for the calendar year 1988.

Finally, the horticultural sector should post considerable growth in the coming years. In the area of greenhouse cultivation, production capacity will rise by 9 hectares in 1988, for an increase of 8% compared with areas under cultivation in 1987. The construction of major greenhouse complexes should bring about year-round production of tomatoes, peppers, cucumbers and lettuce.

The Québec farm sector could see its net income decrease by 8.9% in 1988, compared with growth of 7.9% in 1987. This slowed growth would be mainly attributable to increased expenses while gross income remained stable. After experiencing an improvement in their financial situation in recent years, farm operations based on animal production (poultry and pork) will see a reduction in their profit margin.

Income from the beef, pork, sheep, fruits and potato sectors will decrease while receipts from the dairy, poultry, and most horticultural products will increase.

5.3 Outlook for the fisheries sector

On Canada's Atlantic coast, total authorized catches are rising slightly, increasing from 973 000 tonnes in 1987 to 1 022 000 tonnes in 1988. Despite this increase of 5.0%, the total allowable catch remains below the 1 226 000 tonnes taken in 1986.

Allowable catches in the Gulf of St. Lawrence rose from 202 000 tonnes in 1987 to 207 000 tonnes in 1988. This slight rise can be attributed to an increase in catches of turbot and blue-mouth which compensated for reduced catches of cod and hake. The Québec fishing industry is now almost exclusively confined to this region.

In recent years, there has been a growing demand for fish and seafood in North America and Europe. Theoretically, the relative stability of world supply should maintain prices at current levels. Nevertheless, the significant price increases of previous years could induce consumers to opt for less costly sources of animal protein.

Already this year, the price of fish in the Atlantic provinces appears to be falling. Newfoundland fishermen anticipate as much as a 25% drop in the prices negotiated with the processing industries. This situation would reflect the sagging prices on U.S. markets in late 1987.

Moreover, normal fishing of cod and haddock in Norway and intensified coastal fishing in Canada could increase supplies to the point of causing a new drop in groundfish prices.

Changes in exchange rates could have an impact on trade strategies in 1988. Since 1982, the U.S. market has absorbed most of Canada's marine products exports. The further weakening

of the U.S. dollar against the Japanese and European currencies which occurred recently together with the rise in the Canadian dollar could induce Canada to attempt a return to European markets.

In 1988, federal-provincial talks and consultations with the Canadian fishing industry will be held with a view to revising the program of groundfish quotas for companies with boats over 30.5 meters. This program will end in 1988 and should be replaced with a similar program. Also in 1988, quotas per boat will be established for trawlers measuring 19.8 to 30.5 meters and talks will be taken up with fishermen using 13.7 to 19.8-meter trawlers.

A major observation has been the increase in fishing capacity. This drastically shortens fishing time when quotas are stable and lowers the profitability of the fleet. A federal-provincial task force should be taking up this matter in 1988 by reviewing Canadian policy on the issuing of fishing licences and initiating studies on methods of rationalizing Canada's Atlantic fishing fleet.

In the fish farming sector, a decision regarding the marketing of certain new fish farming products for consumption should be announced in 1988. In the coming years, total production in this sector should increase from approximately 1 000 tonnes in 1987 to nearly 3 000 tonnes within five years.

There are plans to launch a national campaign in early 1988 to convince consumers of the quality of seafood products. The need for such a campaign became apparent following the problems with toxic mussels in fall 1987, and a certain negative perception of the quality of seafood products.

5.4 Prospects for processing and distribution

Québec's economic growth rate Québec should slow down in 1988, with the gross domestic product, expressed in constant dollars, rising by 2.4% compared with 5.1% in 1987. Personal disposal income should grow by 6.5% due to increases in wages and employment, and to tax reductions.

Personal expenditures on goods and services in 1988 could rise at a slightly slower pace than that of last year. Household demand for foodstuffs should increase, mainly in the restaurant sector.

Forecasts of changes in food prices take into account an increase of 2 to 4% in 1988 for all of Canada. Moreover, the federal Minister of Finance announced in December 1987 that he would propose the exemption of certain items, such as grocery products, from any national sales tax.

In the retail sector, some members of the Steinberg family have expressed their intention to sell their shares in the company. In early February 1988 the shares were open to bids from various interested groups.

Finally, the retail sales sector could see an improvement in its profit margins following increased demand for more luxurious food products and maintenance of operational costs at low levels. Moreover, these companies could see an increase in after-tax-revenue should the expected reform of corporate tax go through.

CHAPTER 6

PRINCIPAL GOVERNMENT INTERVENTION IN 1987

6.1 The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation's plan of action

For the first time ever, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec has undertaken steps to clearly set forth the Department's policy governing intervention in this area, explain its mission and define a plan of action which encompasses all Department activities aimed at attaining certain strategy objectives.

The policy the Department is recommending advocates supervision of the various parties involved rather than trying to do everything itself. This means that the Department will act as leader encouraging its partners to become more involved and fostering initiatives in those sectors offering the greatest potential. The Department's role will be that of a spokesperson for Québec's legitimate interests in the bio-food sector.

All activities will be in keeping with the Department's mission. An assessment of the current socioeconomic context has made it possible to define this mission as follows:

> To promote the bio-food industry's adaptation to current and future opportunities and demands of domestic and foreign markets, to the advantage of Québec's socioeconomic partners, by ensuring that the importance of this sector within Canada is upheld and by providing primary producers with an adequate protection plan.

To carry out this mission, the Department has set specific goals which will govern activities from 1987 to 1990. The specific goals for the bio-food sector are:

- Protect farm producers' rights to practice their profession.
- Develop new types of production.
- Make existing types of production profitable.
- Increase agriculture-related business activities.
- Foster resource conservation.
- Increase production of processing businesses.
- Establish Québec products on various markets.
- Meet consumer needs.
- Promote Québec's interests on the national and international level.
- Promote collaboration between partners involved in the agro-food sector.

The specific goals of the commercial fishing sector have been adapted to the specific contexts of fisheries and aquiculture. These goals are:

- Gain access to the 200-mile Canadian off-shore fishing limit.
- Rationalize the fishing fleet working in the Gulf.
- Develop secondary and tertiary processing industries.
- Make existing facilities profitable.
- Improve product quality.
- Organize product marketing.
- Foster collaboration and increased solidarity between the Department and other parties involved.
- Promote Québec's interests on the national and international level.

6.2 Principal intervention by the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec

6.2.1 Federal spending in agriculture

The National Agriculture Strategy, drafted in 1986 by the federal and provincial ministers of agriculture, had raised a lot of hopes. Québec had won the other provinces over by successfully having Ottawa recognize the principle of equity in federal government intervention in the agro-food sector. This principle of equity had already been put to the test once in the sharing of the $1 billion in assistance paid to Canadian grain and oilseed producers for the 1986 harvest. With the Special Canadian Grains Program, announced in December 1987 and implemented for the 1987 harvest, Agriculture Canada

introduced changes which particularly favored agricultural producers from Western Canada.

In 1986, the Program's objective was to provide compensation to producers who were directly penalized by the government subsidies war in the grain sector. In 1987, the Program was expanded to include producers having suffered an indirect loss (honey, specialized crops such as dry peas, mustard, lentils, etc.). By adding products grown almost solely in the Western provinces to the list of eligible crops, Agriculture Canada is further increasing the discrepancy between subsidies paid to Western producers and those paid to agricultural producers from the other provinces.

At the same time it announced its Special Canadian Grains Program for the 1987 harvest year, Ottawa also announced its intention to reimburse a portion of the deficit of the Western Grain Stabilization Program. Western grain producers will not be required to reimburse $750 million of the deficit accumulated under this program. In Québec, any deficits of grain growers income stabilization insurance programs are paid by the farmers and the Québec government. The federal government has never shown any intention of offering a similar contribution to Québec.

Since 1980-1981, Ottawa has invested some $23.5 billion in Canada's agro-food sector. Of this amount, Québec has received just under $2.8 billion, or 11.9% of total federal spending. Although the total government contribution -- in relation to the relative size of Québec's agricultural sector within Canada's -- was positive until 1981-1982, federal spending in Québec has decreased steadily and, since 1982-1983, the accumulated federal contribution is negative. In fact, the percentage of the federal budget allocated to Québec is plummeting and will reach only 7.7% in 1987-1988, a little less than half of Québec's share in the Canadian agricultural sector. For the same year, federal government financial contributions to Québec's agricultural sector represent only 12.5% of the total financial receipts for Québec, compared with an average of 25.6% for all of Canada.

The Government of Canada has expressed its intention to eventually amend the federal Two-Price Wheat Policy respecting wheat for human consumption. At present, this policy serves to maintain the price of wheat on the Canadian market above the price prevailing on international markets. As a result of this situation, users of Canadian wheat for human consumption are faced with problems regarding their competitors abroad. For this reason, the federal government intends to abolish the Two-Price Wheat Policy and replace it

by allowances paid to grain producers. These allowances could reach over $300 million and, according to Ottawa's first intentions, would be paid based on previous levels of production. This method of calculation could place Québec producers at a disadvantage. The latter are asking for equitable treatment that would give more weight to the actual capacity of the different Canadian regions to supply the domestic market, and favor the harmonious development of wheat production in Québec.

6.2.2 Tripartite income stabilization for red meat producers

The issue of tripartite stabilization has continued to progress in 1987. With the National Agriculture Strategy, Ottawa and the provinces reached a consensus on a number of principles; among them, the recognition of shared jurisdiction in matters of agriculture, including in the area of income stabilization, and the need for government intervention which is both equitable and respects the regional economies.

At the Québec City conference in July 1987, a second consensus was reached regarding the establishment of a farm prices and income stabilization policy which would not affect production. This policy statement indicates that the principle

of coexisting federal and provincial farm income stabilization policies is henceforth accepted across Canada. Thus, national tripartite programs will be universal and standard, with the same individual federal and provincial contributions for the same product throughout Canada. Additional financial assistance measures, regardless of the form taken by provincial intervention, will be included in national tripartite programs to account for regional variations in market prices and production costs across Canada.

The only thing left to be done before Canadian red meat producers could participate in the 1988 tripartite agreements was to define the working rules. These rules were established by a federal-provincial committee specially mandated by the deputy ministers of agriculture and, in December 1987, a proposal for disciplinary measures based on the current GATT model was adopted. This proposal will be the subject of discussions with the various Canadian farm producers associations. It respects the provinces' right to implement financial assistance policies which are not prejudicial to the other signatories. All matters of litigation will be submitted to a panel of experts, whose decision will be appealed before the signatories.

6.2.3 Monitoring the National Agriculture Strategy

In the preparation of the National Agriculture Strategy, it was agreed that the administration of national supply management organizations would be reviewed to increase their effectiveness. This mandate was entrusted to Price Waterhouse of Ottawa, which met with experts appointed by the federal and provincial ministers of agriculture. The consulting firm decided to look at several proposals put forward by Québec in a report submitted to the ministers in December 1987. The central proposal on which all others are based involves establishing a permanent forum for plan signatories. Once this mechanism is in place, Québec can submit proposals to the signatories from the other provinces on interprovincial quota allocation, establishment of a chicken stock management program, and the sharing of poultry import quotas.

In February 1987, Québec's Minister of Agriculture, Fisheries and Food and the Minister of Agriculture for Canada signed the eighth subsidiary agreement on agriculture in the context of the Canada-Québec Economic and Regional Development Agreement. This Agreement, which was part of the National Agriculture Strategy, forecasts $17.5 million in expenditure by both the federal and provincial governments before March 31, 1990. These funds will be allocated under three sub-

programs: "research and development" ($11 million), "technological innovation and new initiatives" ($12.2 million), and "soil conservation and upgrading" ($10.8 million). Administrative expenses for the Agreement total $1 million.

6.2.4 The Canada-U.S. Free Trade Agreement

Trade negotiations between Canada and the United States officially began in June 1986 after several months of review and consultation over the respective advantages of a free trade deal. Negotiations ended on October 3, 1987 with the signing of an agreement in principle. The legal text for the Canada-U.S. Free Trade Agreement was tabled on December 10, 1987.

Québec has endorsed the Free Trade Agreement because it favors the medium-term development of Québec's economy. As regards the agri-food sector, the importance of trade in farm and food products between Québec and the United States had to be taken into consideration, as did the implementation of U.S. retaliatory measures, such as the enforcement of countervailing duties and introduction of protectionist legislation. Québec exports $800 million in farm and food products to the U.S. each year and posts a trade balance of $280 million. To ensure access of Québec products to the

U.S. market, Québec had to participate in discussions aimed at improving the situation. Canada and the United States reached agreement on a number of issues.

Under the Free Trade Agreement, the United States agreed to exempt from quotas all Canadian products containing 10 percent or less sweetener; Canada agreed to eliminate import licences for wheat, barley, oats and their by-products as soon as the level of assistance for these products is the same in both countries, based on the results of a technical calculation process. Import licences for oats and barley will be eliminated when the Agreement becomes effective.

The two countries also agreed:

- to exempt each other from quantitative import restrictions provided under each country's legislation governing meat imports;

- not to use direct export subsidies for farm products exported out of either country;

- when seeking a subsidy for exporting farm products to third world countries, to take into consideration the interests of one or other of the countries in matters of exports, given that such subsidies can have a detrimental effect on the interests of one or other of the countries;

- to create a binational dispute settlement panel; the two countries agree that the existing legislation in each country is still in effect and that the panel's decisions are final. Both countries agree to establish dispute settlement mechanisms to replace the existing legislation within the next five years.

Moreover, the Canada-U.S. Free Trade Agreement does not call into question the very grass roots of federal and Québec agriculture policies. By including the right of parties to use the quantitative restrictions under Section XI of GATT, in the context of national supply management programs, in section 710 of the Agreement, and by explaining, in section 701, the definition of an export subsidy, the Agreement confirms the right of the federal and provincial governments to introduce and uphold farm income protection and stabilization programs. For Québec, it was essential that the Agreement safeguard trade agencies, farm insurance plans and farm financing programs.

However, Ottawa must clearly set forth its position and take appropriate action to see that the bio-food sector receives the necessary protection against the U.S. giant. Thus, it is at Québec's request that Ottawa announced its intention to add ice cream and yogurt to the list of products subject to controlled import legislation. Québec producers are still waiting for Ottawa to announce the implementation of import quotas for hatching eggs as well as its intentions with regard to import restrictions on prepared foods made with chicken and turkey.

Québec is also waiting for the federal Minister of Agriculture to follow up on recommendations made by the National

Farm Products Marketing Council, which will table, in early 1988, its report on public hearings on the implementation of a national potato marketing board.

Furthermore, the terms and conditions dictated by the application of seasonal duties on horticultural products appear to be very restrictive; Ottawa will have to show that protection provided for horticultural producers is effective and designed for immediate application.

Finally, an objective to reduce trade barriers which result from the application of certain technical regulations must be established at both the international and interprovincial levels. This must not, however, lead to reduced standards of quality or the invasion of our markets by substitutes, particularly dairy substitutes.

6.2.5 Multilateral trade talks

On October 20, 1987, Ottawa announced its approach to agricultural issues for the upcoming multilateral trade talks. With the current subsidy war between the European Economic Community and the United States, and given extremely high surplus levels, it is becoming imperative that the system of international trade of farm products be overhauled. Canada's

proposal regarding agriculture in the multilateral trade negotiations is aimed at decreasing subsidies which distort farm trade. Canada suggests first using calculations to establish a rating system for measures which lead to distortions in the farm products trade. In the calculation, Canada proposes to grant a credit to countries practicing supply management.

Canada's position on the issue is that subsidies which distort trade must be eliminated. Furthermore, it is imperative that Canada ensure the promotion of one of the very foundations of the Canadian agriculture policy: national marketing councils.

This position should receive the basic support of the EEC countries. Until now, the EEC has adopted a more realistic attitude by seeking equal subsidies for all countries and proposing measures aimed at reducing subsidies, decreasing food stocks and establishing a system for determining world market shares of grains and oilseeds.

It is important that the federal government assert, on the international scene, the qualities of supply management programs, which constitute an effective mechanism for controlling markets and surplus production, and for granting

producers a suitable income in keeping with both their investments and the necessary work to be carried out.

At this point in the talks, Québec has informed Ottawa of its position by asking that it respect the following principles:

- Québec's constitutional right to foster the development of its agricultural sector through specific policies and actions complementary to those implemented by the federal government;
- Québec's capacity to use farm income stabilization as a privileged instrument for maintaining a certain stability and for ensuring the growth and profitability of its agricultural sector;
- the continued existence of the national marketing councils for eggs, chicken and turkey, and milk for processing, and improved supply management mechanisms so as to better meet Québec's international marketing objectives.

6.2.6 Government intervention in the agricultural sector

In 1986, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec conducted a large-scale consultation that was to result in a review of government intervention related to production development aimed at maintaining the status quo. This consultation made it possible, in 1987, to restructure farm programs, develop plans for the profitability of certain traditional sectors and prepare

development plans for those sectors of activity with potentially valuable market possibilities.

In March 1987, Québec's Minister of Agriculture, Fisheries and Food announced the reform of farm production assistance programs. Available assistance is grouped under seven programs:

- water and soil conservation and upgrading assistance;
- productivity improvement and consolidation of crop production;
- productivity improvement and consolidation of livestock production;
- promotion of agricultural training;
- promotion of better management techniques;
- regional development assistance;
- marketing assistance for horticultural products.

The eligibility criteria for the above programs have been amended and general standards, established so that government financial assistance can be earmarked for farming operations which have the potential to increase efficiency, productivity and competitiveness. Any project requiring assistance of $10 000 or more must now be accompanied by a development or consolidation plan including, among other things, the total investment involved, the terms of funding and a profitability analysis. Smaller scale projects are

submitted to a professional who analyzes them and then either approves or rejects them. Regional appeal committees have been created to rule on any litigation over the application of the new working rules. The committees are composed of three people, one of which acts as Department representative. All decisions made by these committees are final.

On a regular basis, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec assesses its methods of intervention in the various sectors of production, taking into account any changes in the economic situation of these sectors as well as their individual development potential.

Working committees were created in the fall of 1987 to develop profitability plans for sheep, cattle and heavy veal production. Each year, the Régie des assurances agricoles du Québec allocates major allowances to these sectors of economic activity and the need to identify ways of making these productions profitable is becoming a priority.

Working committees were also created to establish the types of intervention to be given priority for new sectors of activity which show valuable development potential. Development plans were prepared for grains for human

consumption, ornamental horticulture and greenhouse production.

The ornamental horticulture development plan was a follow-up to the August 1987 meeting of the major representatives from both this sector of activity and the Québec government departments involved in this area. The meeting was also attended by the André Vallerand, Minister responsible for Small and Medium-Sized Businesses, Clifford Lincoln, Minister of the Environment, and Michel Pagé, the Québec Minister of Agriculture, Fisheries and Food.

The development program for soybean production was implemented in 1987. It is divided into four sub-programs: research, production assistance, technology transfers and processing assistance.

Another of the Department's interventions was the amendment to the regulation respecting the coloring of margarine. Beginning December 20, 1987, all margarine sold in Québec, either wholesale or retail, is subject to the new regulation, under which all butter substitutes must be a different color than butter. The purpose of this amendment is to provide the consumer with an easy way of distinguishing between the two products and to increase income for dairy producers and processors.

The new government policy respecting guaranteed payment to agricultural producers is in answer to previous commitments to provide an overall solution to a problem which continually threatens the profitability of farming operations. Both buyers and sellers of farm products must respect each other as well as see that their respective commitments are respected. The Farm Products Marketing Act and the Farm Producers Act must be amended soon if the parties are to meet their obligations adequately. Legislative amendments will allow the Régie des marchés agricoles to request that all buyers of farm products provide a guarantee of financial credibility. Moreover, through their Union or Federation, producers will be able to set up a fund for protection against addition risks not covered by the buyers' guarantees.

With regard to the cattle sector, the precarious financial situation of some slaughterhouses increases the risk of producers not being paid. The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec has made available to the Fédération des producteurs de bovins a subsidy of up to $450 000. In order to create the guarantee fund, the producers must provide an amount equal to the government subsidy. In addition, an effective system for following up transactions must be implemented. A system of

this type was established by the Fédération des producteurs de bovins at the creation of the Agence de vente pour les bovins laitiers. At that time, the Fédération had negotiated with the buyers to establish payment and guarantee of credibility mechanisms.

6.2.7 Government intervention in the farm products processing and marketing sectors

In August 1987, Michel Pagé, Québec Minister of Agriculture, Fisheries and Food, announced the implementation of the "INNOVACTIONS" programs. This is a new development strategy for businesses in the bio-food sector which places emphasis on the processing, marketing and exporting of food products from Québec.

The objective of the first program is to ensure increased processing of primary products and the adaptation of Québec's production to the changing world food needs. The Minister gives priority to the following areas of intervention:

- improvement of management techniques;
- financial assistance for investment projects with strong sectoral impact;
- assistance for the implementation of quality control systems;
- assistance to entrepreneurship.

The goal of the assistance program for technological innovation is to speed up the transfer of technologies applied to agro-food processes, equipment and products, in the areas of conservation, preparation, processing and marketing. This program is financed by the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec and Agriculture Canada.

Another program which has been implemented is the food and farm products marketing development program. Government intervention priorities are:

- assistance for the development of marketing activities for small and medium-sized businesses;
- assistance for the overall promotion of products and for the promotion of new brand products;
- assistance for conducting professional activities likely to promote the priority purchase of agricultural products from Québec.

Finally, seven commercial attachés have been hired by the Department to work abroad, in collaboration with economic advisors from the Ministère du Commerce extérieur et du Développement technologique, as part of either the Québec delegations or offices in New York, Boston, Chicago, Toronto, Tokyo, Caracas or London.

The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec expects to play an increasingly active role alongside top-level decision makers and directors from major corporations likely to increase their purchases of bio-food products from Québec. To this end, the Groupe de relations commerciales was recently created to implement promotional strategies targeting Québec's major supermarket and restaurant chains, institutions, and pressure and consumer groups with a view to influencing their purchasing decisions.

In 1987, the Québec Minister of Agriculture, Fisheries and Food met with the presidents and top-management staff members from the four major supermarket and three largest restaurant chains in Québec. In addition to establishing a new spirit of consultation, these meetings provided an opportunity to make the representatives from these companies aware of the importance of Québec's agricultural production, the quality of our products and the capacity of our processing plants. These meetings, together with the Groupe de relations commerciales' follow-up program, are expected to result in major economic spinoff for Québec's bio-food sector.

In 1987, an agreement was signed between private and cooperative sector dairies and the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec by virtue of which free milk will be distributed to elementary schools until May 31, 1990.

This consultation process and the resulting agreement will enable the Department to save nearly $2 million a year, while guaranteeing the continued application of the program in its entirety.

6.2.8 Further activities of the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec in the agro-food sector

The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec participated in the November 1987 interdepartmental agreement on the restriction of farming practices and land uses in agricultural zones. The agreement is based on the approval of four basic principles set forth by the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec. They are:

- ensure that territorial development regulations are fair and equitable for the entire territory so that

production conditions are stable and similar for all farming operations;

- recognize the economic importance of agriculture and its priority in the area of permanent agricultural zones so as to guarantee the perpetuity of soil as a resource and to create a favorable context for long-term investment and the profitability of farming operations;

- guarantee the necessary leeway required by farmers to adapt to the current market situation by allowing them to change production types if necessary, use new techniques and practices or consolidate their operations;

- see that any municipal intervention mainly targets controlling nuisances rather than farming practices.

With regard to water conservation, the government has agreed to keep the provincial regulation respecting the prevention of water pollution caused by livestock production operations, but to revise the regulation so as to adapt it to today's needs. These amendments are to be proposed by a joint committee composed of representatives from the Ministère de l'Environnement du Québec and the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec.

As for air quality control, the municipalities and regional county municipalities can adopt provisions that are compatible with the Ministère de l'Environnement du Québec's directive of 1981 respecting air pollution caused by livestock production operations. This directive will be revised by the Ministère de l'Environnement in collaboration with

representatives from the Ministère des Affaires municipales and the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec. Another topic of discussion will be the introduction of reciprocal agreements for determining distances between livestock operations and structures associated with urban development. As well, municipalities will be able to introduce specific provisions agreed to by the farm producers concerned.

Municipalities will be able to protect areas of particular agricultural interest provided that certain conditions are met. The proposed municipal regulation must be studied by a joint committee of which at least half the members are farm producers residing within the municipal territory in question. The municipality will then hold a public hearing in accordance with the usual procedures provided for at the time the regulations were adopted.

In addition to the interdepartmental agreement on restrictions on farming practices and land uses in agricultural zones, the Department participated in the development of a regulation respecting the protection of riparian sites as well as in the preparation of the Pesticides Act and act respecting wildlife habitats.

With regard to setting up a farming operation, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec has established a policy and published a guide for starting up and managing a business entitled "Agricultrice gestionnaire".

Resource conservation is another concern which has led to the Department's taking action. The Department has developed a water and soil conservation policy and implemented a research program targeting maple dieback.

Revision of the Act respecting public agricultural lands has allowed the Department to initiate procedures to transfer all lands owned by the Department and belonging to a concession to private landowners.

The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec has set up three new consultation mechanisms: the Conseil en Économie et Gestion agricole, the Conseil en Pêches et Aquiculture and the Conseil de recherche en Pêche et Agro-alimentaire du Québec.

In an effort to give new impetus to the horse industry in Québec, the Act respecting horse racing was assented to on December 18, 1987. This Act provides for the creation of the

Commission des courses de chevaux du Québec, mandated to govern and monitor horse racing, breeding and training. In the same vein, the Department was actively involved in the decision to keep the Blue Bonnets racecourse in operation and have it turned over to an association grouping the various sectors of the industry.

6.3 Activities of agencies under the authority of Québec's Minister of Agriculture, Fisheries and Food

In the area of farm credit, the Act respecting farm financing has made it possible to review the legislative context of Québec's farm financing policy. As a result of this new Act, nine Acts have been replaced or repealed. The objective of combining these Acts is to increase rationalization by harmonizing management and regulations governing the various farm financing programs. This reform has made it possible to raise the amounts of overall loans, increase credit margins, relax terms of payment, make services offered by the Office available to a greater number of operations, and create an application review committee. A number of other technical changes have been carried out with the intention of making Québec's farm financing policy better adapted to the actual situation of farming operations today.

Special attention has been given to young farmers. At the moment, the academic training of candidates is taken into consideration and bonuses can be as high as 50% of the interest rate on the first $200 000 borrowed; aspiring farmers can obtain subsidies the first year they are in business. Farm women can take advantage of a new concept intended for farming operations dependent on another farm for its farm facilities. These women can borrow to purchase land even if they do not own buildings or equipment as long as a farm with the necessary facilities signs a contract promising to do the farm work and supply buildings and equipment, for a realistic operation.

Finally, measures have been implemented to absorb the deficit of the farm and forestry loan insurance fund within five years.

In the farm insurance sector, several amendments have been made to the farm income stabilization insurance plans. Adjustments in fees was necessary in 1987 in order to restate the deficits accumulated over the previous years. Moreover, amendments were proposed with a view to improving the management of certain plans and to adapt them to current

technological and economic production conditions. These amendments will be applied gradually over the coming years.

Without these efforts to rationalize program management and regulations, the insurance fund deficit could have reached $440 million in 1988-1989. At the close of 1987-1988, the insurance fund deficit will have been decreased to under $80 million, including federal government allowances, which makes fee stabilization possible.

In June 1987, the National Assembly adopted an act designed to abolish the Régie des grains du Québec and entrust the Régie des marchés agricoles du Québec with the administration of the Grain Act.

6.4 Intervention of the ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec in fish farming industries and commercial fishing

6.4.1 Federal-provincial relations

The Société des pêches Nova Nord, founded in 1987, is a consortium of a dozen fisheries firms in Québec and New Brunswick whose purpose is to exploit fishing resources within the 200-mile limit. The Société claimed from Oceans and

Fisheries Canada the right to bring 34 500 tonnes of groundfish per year into their plants for a period of three years starting in 1988-1989 and to gradually increase this quota by 11 300 tonnes per year to reach 68 400 tonnes in 1993-1994.

The federal government did not agree to Nova Nord's demand despite pressure exerted by Québec and New Brunswick both during the First Ministers Conference at the end of November 1987 and during the meeting of the Ministers of Fisheries on December 11, 1987. The arguments brought forward by Québec in favor of the demands are as follows:

- Encouraging statistics on available resources, especially as regards northern cod stocks.

- There is no foreseeable renewal of the long-term agreement with the European Economic Community regarding member nations' fishing rights within the 200-mile Canadian limit.

- Offshore fisheries with production quotas have, over the past few years, been leaving considerable quantities of fish in the waters, jeopardizing Canada's policies involving foreign countries asking for quotas.

- Since 1977, the development of Canadian offshore groundfish fishing within the 200-mile limit, which was strongly supported by the federal government especially between 1978 and 1983, has been aimed exclusively at industries in Newfoundland and Nova Scotia. Ottawa maintains that Québec and New Brunswick have, in return, been able to benefit from the development of shrimp and crab fisheries in the Gulf of St. Lawrence. However, this is not true. These fisheries had already begun developing in the 1970s, and have actually allowed these two provinces to reduce the pressure of fishing on groundfish stocks in the Gulf, particularly as

concerns haddock. This species was endangered in 1972 by the devastating entry of off-shore trawlers from Nova Scotia into the Gulf of St. Lawrence.

Nova Nord, on the other hand, has announced its intention to continue applying for quotas within the 200-mile limit for the next fishing season.

Nova Nord's project could mean the acquisition of a fleet of six 60-meter trawlers. The cost of each of these vessels is approximately $15 million, and each vessel purchased would require a crew of 40 and create 120 jobs in the manufacturing plants. Nova Nord's initiative would provide an excellent structure for the fishing industries of both Québec and New Brunswick. By doubling current sales figures of the twelve enterprises which form the consortium, Nova Nord could become a concern of national or even international proportions.

In Franco-Canadian negotiations regarding fishing rights and maritime boundaries, Québec has voiced its support for the federal government. Projects such as Nova Nord's should be encouraged, and Québec supports all efforts enabling the implementation of such projects. Canada hopes to ensure its sovereignty in its coastal waters and support both its domestic and export markets. France, on the other hand, seeks to uphold its historical rights as set out in various treaties

and agreements. These are presented in chronological order below:

- In 1713, France signs the Treaty of Utrecht with Great Britain and obtains fishing rights in various fishing zones within what are now Canada's waters.

- These rights are subsequently confirmed in the Treaty of Paris of 1763, the Treaty of Versailles of 1783, the Treaty of Paix d'Amiens, the Treaties of Paris of 1814 and 1815, the Convention of 1857, the Arrangement de 1885, and the Convention of 1904. In 1971, Canada passed a ruling prohibiting all trawlers over 65 ft (almost exclusively French vessels) from fishing within a 12-mile limit of the west coast of Newfoundland.

- This decision prompted the signing of the March 27, 1972 agreement between Canada and France which expired on May 15, 1986. In this agreement, France recognized the extension of Canada's territorial waters to a 12-mile limit and withdrew her vessels from the Gulf of St. Lawrence and the Bay of Fundy. Fishing rights of Saint-Pierre residents were upheld, but France agreed to give up all rights acquired by former treaties.

- In 1987, Canada allotted an interim 15 600-tonne quota to France while negotiations were being carried out for the 1988-1991 agreement. This interim agreement is needed until such time as the boundary dispute between France and Canada over Saint-Pierre-et-Miquelon can be judged by an international court.

- On March 17, 1987, the Canadian government refused French vessels access to Canadian ports and to the south coast of Newfoundland so as to halt overfishing by French trawlers which were far exceeding the quotas allotted to them.

- On October 9, 1987, Canada and France broke off negotiations. Canada withdrew its offers and revoked the rights of French fishermen to fish in Canadian waters in 1988. In response, France allotted a cod quota of 26 000 tonnes to French fishermen fishing in Canadian waters. Negotiations over the Saint-Pierre-et-Miquelon boundary dispute were resumed.

The outcome of the dispute between France and Canada will have an impact on the federal Fisheries and Oceans fishing plan over the next few years. The reduction of French quotas could increase access of Québec's vessels to the 200-mile limit.

Québec and Newfoundland succeeded in having included in the Meech Lake Accord a clause providing for discussion of fisheries management during constitutional talks. This issue will be statutorily inscribed in the agenda of the annual first ministers constitutional talks. It is foreseen that discussion of this issue will take place during the next round of talks.

Several provinces have been claiming greater latitude in quota allotments and issue of permits. Québec and Newfoundland have already indicated their intention to limit access to coastal water resources to their own fishermen and limit processing of catches to plants on their respective territories. Current regulations regarding national sharing will no longer be in effect and there will be a possibility of activity transfers from one province to another.

On June 11, 1987, the Canadian and Québec governments signed a subsidiary agreement on the development of fisheries

by which a sum of $35 million will be accorded for development of maritime fisheries in Québec up to March 31, 1990. The majority of these funds ($23.8 million), will be invested in the development of infrastructures, especially in the Basse-Côte-Nord region. A total of $6.2 million will also be allotted to the development of operations and processing, especially in Northern Québec. The development of marketing will receive $1.1 million while $3.9 million will go towards administration of the agreement.

Another agreement was also signed between the Canadian and Québec governments regarding the development of commercial fish culture in Québec. The agreement seeks to coordinate the intervention of the two governments and to define a "single window concept" approach to ensure the development of fish farming within Québec.

The main provisions of the draft agreement on aquiculture are as follows:

- Québec will be responsible for issuing permits and leases for commercial aquiculture activities;

- Canada will carry out and support basic and applied aquicultural research in Québec.

- Québec will continue its applied research and its development activities on the introduction of new

breeds, the application of new feeding plans, and the improvement of breeding conditions;

- Québec will inspect commercial enterprises and set up a quality control system for products marketed by aquicultural enterprises;

- Canada will expand its natural toxicity evaluation programme for wild and cultured mollusks in Québec tidal waters.

The Free Trade Agreement between Canada and the United States contains neither direct nor indirect mention of the fisheries sector. General articles therefore apply. Québec endorses Canada's position concerning fisheries because of the importance of our seafood products trade with our neighbour to the south ($75 million). Moreover, it is now essential to ensure that Canadian products have access to U.S. markets. The main advantage of the Agreement is that Canada gains the status of a privileged partner of the United States over other countries, such as the Scandinavian nations, who are vying for American markets.

The tariff barriers between Canada and the United States in the fisheries sector appear, in most cases, to be irritants to the industry rather than true obstacles to its development. On one hand, the majority of products already circulate freely; on the other, the maximum tariffs of 10 to 15% for some products

can easily be absorbed, given the margins taken at each stage of product marketing procedures.

Overall, Québec and Canada have more to gain from the elimination of tariffs because of their advantageous position on the U.S. market. The elimination of U.S. tariffs on certain products having undergone secondary processing will enable Canadian and Québec companies to step up their activities. On the other hand, the abolition of Canadian tariffs on finished products will encourage large U.S. companies to make their presence felt even more strongly on the Canadian market. The Canada-U.S. Free Trade Agreement will not prevent the application of the Marine Products Processing Act but will protect fishermen and Québec manufacturers from possible reprisals.

6.4.2 The three-year development plan for aquiculture

In July 1987, Yvon Picotte, Minister for Fisheries and Minister of Recreation, Fish and Game, announced the implementation of a three-year action plan for the development of commercial fish farming. The objective is to increase the supply of aquiculture products by 2 000 tonnes within five years. The plan calls for investment of $17.4 million, and guaranteed loans totalling $5 million will be granted to fish

farming operations which show a profit without requiring ongoing government support. Intervention is concentrated in the following five areas: markets, water resources, the legal and regulatory framework, production, and technological research and development.

A market assessment program will be implemented with a view to consolidating current production activities (rainbow trout, mussels and salmon) and to developing new production areas (eastern brook trout, scallops, American crayfish, Arctic char and yellow pickerel). Research to establish zones with the proper conditions for fish farming will be carried out in collaboration with the Ministère de l'Environnement du Québec.

With respect to technology, the implementation of a single, regionalized network of five technical and financial councilors will enable the Department to improve the quality of its intervention in the sector. A program of activities has been developed to increase the dissemination of technical information among producers and other interested parties.

The aquiculture action plan includes a complete reorganization of financial assistance to help operations get underway and ensure their profitability. The program provides

for a grant covering 40% of the cost of evaluating the underground water potential of a new site, a grant intended to reduce the short-term debt of fish farming operations stemming from start-up deficits, and a five-year guaranteed loan to make credit more available for investment purposes.

The aquiculture action plan will be backed up by the three-year research plan which has a budget estimated at $6.5 million. What is more, financial assistance will be granted for university research in aquiculture.

6.4.3. Reform of financial assistance for the construction of fishing boats

The Office of the Deputy Minister for Aquiculture and Commercial Fishing has reformed financial assistance for the construction of fishing boats. An initial change was made in March 1987 with the elimination of the 35% subsidy for construction costs. Now, at the beginning of a boat-building project, the Deputy Minister's office will reimburse the concerned parties for part of the interest charges and will guarantee their loans. To encourage the replacement of certain segments of the fleet, the degree to which interest will be taken over will vary with the type of boat. Fishing vessels are classified in three categories and the interest rate

which applies in each category is determined from the volume of quotas and market prices.

The second change was made in October 1987 with the replacement of the loan plan with a guaranteed loan plan obtained through private financial institutions. This change makes it possible to effectively meet the needs of construction projects developed by Québec fishing operations in 1987. The legislation establishing a limit of $10 million on the total loans and advances that the Minister could grant for the purposes of maritime loans was increased to $30 million a year.

The increase in the price of finished products and landings over the past few years has refuelled the demand for renewal of the fleet. In 1987-1988, 51 investment projects received financial assistance from the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec for the construction of boats over 10.6 meters in length. Forty projects were funded under the guaranteed loan and interest reduction plan, while only eleven operations benefitted under the old plan, which consisted of a 35% construction cost subsidy accompanied by a Department loan. In 1986-1987, 32 fishermen benefitted from the assistance program for fishing vessel construction compared with 23 in 1985-1986.

6.4.4 Other forms of intervention in the fisheries sector

As in the past, the Deputy Minister's Office has formulated development proposals for commercial fishing in fresh water. These proposals were discussed in joint management committees of the Ministère du Loisir, de la Chasse et de la Pêche and the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec. Discussions also focused on specific problems, such as commercial salmon fishing on Québec's north shore and brush fisheries. The departments agreed to encourage development in certain regions by issuing experimental fishing licenses.

The Departments identified two essential objectives with respect to their intervention in the fresh water fisheries sector. The first objective was the consolidation of the freshwater fishing industry. The approach selected involved the implementation of a better processing structure and the completion of integrated exploitation and processing projects. Processing plant projects at Lac Saint-Pierre and in Abitibi are priorities in this respect. The second objective was the development of a joint policy on the development of commercial freshwater fisheries. This policy, initiated by the two departments, will be submitted to representatives of the

sport and commercial fishing industries and in the medium-term will be transformed into an action plan.

On February 24 and 25, 1987, Lourdes-de-Blanc-Sablon was the scene of a colloquium on the development of maritime fishing in the Vieux-Fort/Blanc-Sablon region. The colloquium was organized by the Conseil régional de développement de la Côte-Nord and fishermen's associations in the region. It was attended by 150 individuals, including fishermen and members of their associations, representatives from each of the groups of promoters active in the region and a delegation from the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec. The colloquium gave promoters an opportunity to specify their development projects and allowed the government to introduce the principal elements of its development policy. The colloquium initiated dialogue on the development of the fishing fleet, the availability of the resource, on-site processing of resources and the marketing of products. It also showed the government's openness to all development proposals based on resource potential, equipment in place and the will of the industry.

The Canada-Québec subsidiary agreement on the development of fisheries favors the establishment of facilities in the

Côte-Nord region, where fishing activity has shown a remarkable increase since 1979.

The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec collaborated on the organization of the fourth annual convention of the Canadian Aquaculture Association. More than 300 participants from Canada, the United States and Japan met for four days in Québec City in May 1987. In all, 75 papers were given on various subjects related to aquiculture.

6.4.5 Intervention in the seafood products processing and marketing sector

In early 1987, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec implemented a development program for the bio-aquatic products processing and marketing sector. The program, which runs until 1989-1990, features four components. The first component involves the valorization of fishing products and aims at supporting efforts to diversify the products of fishing operations, efforts favoring a greater utilization of rejected specimens, byproducts, waste, and secondary species, and the construction of freshwater fish processing plants. The other three components provide financial assistance to operations wishing

to improve their management, develop their marketing and introduce technological innovations aimed at improving quality and productivity. A total of $3 million has been earmarked for the project to develop the bio-aquatic products processing and marketing sector.

In response to the requests from members of the seafood products processing industry, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec established a joint committee of representatives from the industry and the Department to study ways of improving the quality of seafood products.

Activities related to the inspection and sorting for freshness of landed seafood products have been underway since April 1, 1984. In 1987, it was noted that over 50% of sorted products fell into the "EXTRA" and "A" categories, indicating freshness ratings of excellent and very good. There were similar results in 1986.

To assist members of the industry wishing to implement a quality control program in their plants, the Department provides financial assistance through the bio-aquatic products processing and marketing sector development program. The terms and conditions of operating quality control programs were developed

by the joint committee. Once a plant's quality control program is approved by the Department, the operation may ask to be exempted from the monitoring currently carried out by Department representatives. The regulations will have to be amended, however, before this new procedure becomes applicable.

The Marine Products Processing Act was assented to on June 30, 1987 and came into force on September 9, 1987. The purpose of the Act is to increase the value added to primary processing in Québec. For the first time in Québec, the law stipulates that any individual or corporation, acting as an intermediary in the transfer, delivery or transmission of seafood products, which have not been subjected to the minimum level of processing established by Order-in-Council, must hold a commercial permit. This legislation was introduced with the aim of ensuring a minimum level of processing in Québec plants of approximately 20 marine species, including cod, crab and most groundfish.

The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec has continued to build on its relations with the Association québécoise de l'industrie de la pêche and fishermen's associations in an effort to create strong ties and develop greater solidarity in the Québec fisheries sector. It was in this spirit that the Department participated

in a systematic way with individual fishermen and members of the industry in establishing their claims and representations to various federal advisory committees.

To promote the marketing of bio-aquatic products, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec has published a prestigious color brochure entitled "The Québec Commercial Fishing Industry." This publication is intended for buyers of seafood products and covers all major aspects of Québec's commercial fishing and aquaculture sector.

6.4.6 Privatization of the maritime fisheries sector

In 1987, the Québec government privatized its assets in the fisheries sector. The privatization of Madelipêche was effected through the sale of Cap-aux-Meules assets, including the fishing fleet, to the Paul Delaney Group. The capital assets located at Grande-Entrée were turned over to the Hubert Group. A management contract, with an option to purchase, was granted to the Delaney Group for the Havre Aubert plant.

Subsequently, Pêche Nordique was sold to Les Fruits de mer de l'Est du Québec on favorable financial terms. The transaction also meant a steady supply of fish to Québec

processing plants and ensured jobs in Matane. The Société québécoise des pêches began withdrawing its investment in the Société des pêches de Newport.

The majority of refrigerated warehouses and ice factories owned by the Québec government were sold to private enterprise. These included the facilities of Paspébiac, Sainte-Thérèse, Sandy Beach, Grande-Rivière, Rivière Madeleine, La Tabatière, Rivière-au-Tonnerre , Millerand and Etang-du-Nord.

Finally, calls for tender were made to privatize the three services centers for boats at Cap-aux-Meules, Blanc-Sablon and Rivière-au-Tonnerre. Negotiations are currently underway with the municipalities involved concerning the industrial fishing parks at Gaspé, Grande-Rivière and Cap-aux-Meules.

APPENDIX I

Data Profile for Québec's Agricultural Sector

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TABLE I-1
KEY STATISTICS FOR QUEBEC DAIRY PRODUCTION 1981-1988

Breakdown	1981	1982	1983	1984	1985	1986	1987(1)	1988(2)
Number of producers	20 036	19 503	19 091	18 142	17 483	16 700	16 036	15 500
Cattle population (3) - '000 heads -	710	712	676	668	628	570	555	550
Average production per cow - litres -	4 322	4 515	4 340	4 471	4 365	5 177	5 367	5 513
Use of dairy production - '000 hectolitres -	30 257	31 379	29 294	30 849	29 466	29 507	29 786	30 323
Volume sales	28 957	30 129	28 094	29 699	28 330	28 402	28 686	29 223
For fluid purposes	6 295	6 331	6 265	6 364	6 508	6 860	6 928	7 030
For industrial purposes	22 662	23 798	21 829	23 335	21 822	21 542	21 758	22 193
For self-consumption	1 300	1 250	1 200	1 150	1 136	1 105	1 100	1 100

(1) Estimates.
(2) Projections.

Sources: - Statistics Canada, Livestock report, catalogue number 23-008.
- Bureau de la statistique du Québec, Statistiques laitières.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

TABLE I-2
KEY STATISTICS FOR QUEBEC PORK SECTOR 1981-1988

Breakdown		1981	1982	1983	1984	1985	1986	1987(1)	1988(2)
Sales	- '000 heads -	4 836	4 704	4 581	4 743	4 762	4 672	4 770	5 000
Price paid in Quebec	- $/100 kg -	154,92	184,81	156,72	160,16	151,17	180,49	175,26	147,71
Average weight	- kilograms -	77,8	78,9	79,2	78,8	79,2	80,3	80,3	80,3
Total receipts	- '000 000$ -	576,04	682,89	563,52	596,35	569,71	677,06	671,21	592,95

(1) Estimates.
(2) Projections.

Sources: - Agriculture Canada, Canada livestock and meat trade report.
- Statistics Canada, Livestock and animal products statistics, catalogue number 23-203.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

TABLE I-3
KEY STATISTICS FOR QUEBEC CATTLE SECTOR 1981-1988

Breakdown		1981	1982	1983	1984	1985	1986	1987(1)	1988(2)
Cattle (3)									
Sales	- '000 heads -	296,6	348,6	413,9	351,1	341,2	372,3	348,0	341,0
Average weight	- kilograms -	551	557	518	502	532	534	538	538
Sales	- '000 kilograms -	163 329	194 335	214 593	176 112	181 340	210 808	198 541	194 548
Average weight	- $/100 kg -	110,10	114,90	105,73	117,59	112,87	115,08	131,88	133,53
Cash receipts	- '000$ -	179 820	223 297	226 893	207 095	204 686	228 945	247 100	245 165
Calves									
Sales	- '000 heads -	383,6	426,9	416,4	441,5	355,3	339,4	319,0	311,0
Average weight	- kilograms -	76	68	96	78	104	114	124	124
Sales	- '000 kilograms -	29 058	29 240	40 042	34 445	36 943	38 855	39 592	38 600
Average weight	- $/100 kg -	177,89	168,63	171,41	201,70	188,29	201,63	223,13	225,46
Cash receipts	- '000$ -	51 691	49 307	68 635	69 476	69 559	78 344	88 340	87 027
Cattle and calves									
Sales	- '000 heads -	680,2	775,5	830,3	792,6	696,5	711,7	667,0	652,0
Sales	- '000 kilograms -	192 387	223 575	254 635	210 558	218 282	249 664	238 133	233 148
Cash receipts	- '000$ -	231 511	272 604	295 528	276 571	274 245	307 289	335 440	332 192

(1) Estimates.
(2) Projections.
(3) Includes cows, bulls, steer and other cattle.

Sources: - Statistics Canada, unpublished figures.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

TABLE I-4
KEY STATISTICS FOR QUEBEC POULTRY SECTOR 1981-1988

Breakdown	1981	1982	1983	1984	1985	1986	1987(1)	1988(2)
Sales				- tonnes -				
Poultry	152 632	156 802	149 830	159 831	176 893	182 056	199 273	206 552
Chicken	125 554	128 344	121 886	132 219	146 884	151 049	165 161	172 672
Hens	5 461	5 599	5 531	5 329	5 580	6 684	6 975	6 985
Turkeys	21 617	22 859	22 413	22 283	24 429	24 323	27 137	26 895
				- '000 dozens -				
Eggs	80 766	78 844	80 410	78 104	77 722	78 121	78 643	79 580
Cash receipts				- '000$ -				
Poultry	220 765	223 039	216 017	251 867	252 917	267 512	282 835	291 109
Chicken	183 569	182 803	177 278	210 369	208 752	223 733	234 730	244 707
Hens	1 548	1 856	2 206	2 391	2 880	3 159	3 280	3 283
Turkeys	35 648	38 380	36 533	39 107	41 285	40 620	44 825	43 119
Eggs	82 700	80 017	82 798	86 333	91 453	90 117	90 369	92 260
consumption	66 165	62 749	65 776	69 084	66 283	64 187	62 872	62 750
hatching	16 535	17 268	17 022	17 249	25 170	25 930	27 497	29 510

(1) Estimates.
(2) Projections.

Sources: - Agriculture Canada, Poultry market report and Hatchering review.
- Statistics Canada, Production of poultry and eggs, catalogue number 23-202.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

TABLE I-5
KEY STATISTICS FOR QUEBEC GRAIN SECTOR 1981-1988

Breakdown	1981	1982	1983	1984	1985	1986	1987(1)	1988(2)
Acreage				- hectares -				
Wheat	40 900	32 000	30 000	37 000	47 000	53 600	65 000	70 000
Oats	150 100	163 000	170 000	165 000	150 000	101 000	103 000	105 000
Barley	106 000	121 000	132 000	135 000	142 000	172 000	174 000	175 000
Mixed grains	50 900	54 500	51 000	45 000	40 000	30 500	28 000	28 000
Corn	165 400	179 600	182 000	210 000	225 000	234 400	228 000	230 000
Buckwheat	6 200	8 900	9 700	6 500	7 300	8 700	11 300	11 000
Soybean	*	*	*	*	*	4 400	6 500	9 000
Total	519 500	559 000	574 700	598 500	611 300	604 600	615 800	628 000
Production				- '000 tonnes -				
Wheat	119,5	93,0	82,0	120,0	164,0	166,0	183,0	190,0
Oats	266,4	310,0	300,0	360,0	360,0	224,0	232,0	240,0
Barley	257,1	360,0	320,0	400,0	477,0	515,0	457,0	460,0
Mixed grains	130,1	144,0	122,0	128,0	130,0	83,0	75,0	70,0
Corn	975,4	1 040,0	975,0	1 290,0	1 420,0	1 130,0	1 410,0	1 320,0
Buckwheat	7,1	7,2	12,0	10,0	11,0	13,5	15,0	16,0
Soybean	*	*	*	*	*	10,0	14,5	20,0
Total	1 755,6	1 954,2	1 811,0	2 308,0	2 562,0	2 141,5	2 386,5	2 316,0

(1) Estimates.
(2) Projections.

Sources: - Bureau de la statistique du Québec, Grandes cultures: superficie, production et valeur et Superficie des principales grandes cultures.
- Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.

TABLE I-6
KEY STATISTICS (1) FOR MISCELLANEOUS QUEBEC AGRICULTURAL 1981 - 1988

Breakdown		1981	1982	1983	1984	1985	1986	1987(2)	1988(3)
Potatoes									
Acreage	- hectares -	17 172	17 800	17 500	18 400	18 700	17 269	18 000	19 500
Production	- tonnes -	341 800	387 000	290 500	397 400	443 300	368 500	410 000	430 000
Value	- '000$ -	40 170	40 322	46 205	42 220	34 276	51 068	69 000	40 000
Other vegetables									
Acreage	- hectares -	29 970	33 040	31 662	32 873	32 188	31 945	31 945	31 947
Production	- tonnes -	346 859	416 737	347 948	413 338	398 839	352 042	384 631	393 346
Value	- '000$ -	59 076	66 299	80 998	75 144	91 384	92 863	101 631	106 382
Maple products									
Production	- kilolitres -	13 458	7 786	8 270	7 273	9 200	9 275	8 000	9 000
Value	- '000$ -	38 830	23 438	24 608	24 211	39 423	58 094	47 300	56 000
Apples									
Production	- tonnes -	45 303	78 109	65 079	85 083	91 827	57 249	76 206	90 000
Value	- '000$ -	12 128	18 737	15 953	20 302	24 057	17 571	20 575	21 150
Berries									
Production	- tonnes -	13 348	16 467	16 467	15 857	18 603	12 654	21 336	16 400

(1) Figures refer to crop year and not calendar year.
(2) Estimates.
(3) Projections.

Sources: - Statistics Canada, Fruit and vegetable production, catalogue number 22-003.
- Bureau de la statistique du Québec, various publications.
- Ministre de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, Direction générale de l'économie, february 1988.